



# CITY OF HOLLISTER

375 Fifth Street • Hollister, CA 95023-3876

December 26, 2013

To the Sewer Customers of the City of Hollister:

There have been numerous requests over the years as to how the Sewer Rates are calculated for the City of Hollister Sewer Customers. The original amount (post new \$100+ million dollar sewer plant) was established based on an analysis study provided by the City's Engineering Consultants, CH2MHill and the adoption of Resolution #2009-147 which follows this memo. The Study recommended an increase of 10% for each fiscal year 2009-10 and 2010-11. And 4% increases for each fiscal year 2011-12 to 2013-2014. The main factor for the Sewer Rates is to maintain the Rate Convent on the City's Sewer Bonds. That Convent requires the Sewer Fund to maintain net revenues (operating revenues less operating expenses) of 110% over the Bond Payments (Debt Service).

One of my major goals with the City has been to prevent the automatic increases in the Sewer Rates. During our budget process, we had planned out Bond Retirements of \$8.1 million on June 1, 2009, \$10.14 million on June 1, 2011, and last one of \$5.3 million on December 1, 2013. With these bond retirements, the City preserving a Rate Stabilization Fund, the City's past furloughs, and the City's desire to minimize costs, have allowed the City to halt the Sewer Rate increases since the fiscal year 2010-11.

I hope this answers the rate questions of individuals and I will do my very best to keep the City from having to increase rates in the future,

*Brett I. Miller, CPA, CPFO*

Interim Director of Administrative Services

City of Hollister

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RESOLUTION NO. 2009-147

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER  
ADJUSTING RATES AND QUANTITY CHARGES FOR SEWER SERVICES**

**WHEREAS**, on September 5, 2006, the City Council of the City of Hollister approved the City of Hollister Wastewater Rate Analysis Report dated July 6, 2006, which contained projected rates and quantity charges for sewer services, and

**WHEREAS**, on November 3, 2008, the City adopted a revised rate schedule reflecting Reductions in Sewer Rates and Charges for Sewer Services and Facilities through Fiscal Year '13-14; and

**WHEREAS**, based upon the analysis performed by the City's Engineering Consultants, CH2M Hill, the continued reduction in construction costs for the City's Wastewater Treatment Plant will result in substantial cost savings; and

**WHEREAS**, City staff has analyzed the current data and concurs with the projected required sewer rates in support of the actual bond debt;

**NOW, THEREFORE BE IT RESOLVED** that the City Council of the City of Hollister hereby adopts the revised Rate Table dated September 8, 2009, that reflects reduced sewer service rates from those previously approved by Resolution No. 2006-115, Resolution No. 2008-20, and 2008-164.

**PASSED AND ADOPTED THIS** 8th day of September 2009, by the following votes:

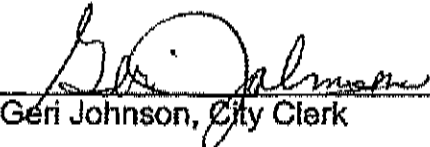
**AYES:** Council Members Valdivia, Emerson, Gomez, and Mayor Sanchez.

**NOES:** None.

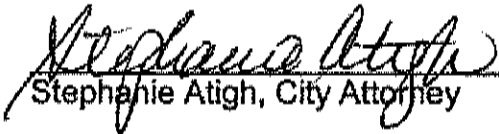
**ABSENT:** Council Member Friend.

  
\_\_\_\_\_  
Eugenia Sanchez, Mayor

**ATTEST:**

  
\_\_\_\_\_  
Geri Johnson, City Clerk

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Stephanie Atigh, City Attorney

## MONTHLY SERVICE CHARGE

CUSTOMER CLASS	FY08/09	FY09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
	<i>Current Rates</i>			<i>Proposed Rate Changes</i>		
Single Family Residential	\$71.34	\$78.48	\$86.32	\$89.78	\$93.37	\$97.10
Multi-Family Residential	\$62.19	\$68.41	\$75.25	\$78.26	\$81.39	\$84.65
Mobile Homes	\$43.64	\$48.00	\$52.80	\$54.91	\$57.11	\$59.39
Commercial/Industrial (Low Strength)	\$33.57	\$36.93	\$40.62	\$42.24	\$43.93	\$45.69
Commercial/Industrial (Mod. Strength)	\$62.36	\$68.60	\$75.45	\$78.47	\$81.61	\$84.88
Industrial (High Strength)	\$242.59	\$266.85	\$293.54	\$305.28	\$317.49	\$330.19
Elementary & Middle School (per Pupil)	\$2.60	\$2.86	\$3.14	\$3.27	\$3.40	\$3.53
High Schools (per Pupil)	\$2.60	\$2.86	\$3.14	\$3.27	\$3.40	\$3.53

## QUANTITY CHARGE PER HUNDRED CUBIC FEET (HCF)

CUSTOMER CLASS	FY08/09	FY09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
	<i>Current Rates</i>			<i>Proposed Rate Changes</i>		
Commercial/Industrial (Low Strength)	\$6.23	\$6.85	\$7.54	\$7.84	\$8.15	\$8.48
Commercial/Industrial (Mod. Strength)	\$7.48	\$8.23	\$9.05	\$9.42	\$9.79	\$10.18
Industrial (High Strength)	\$13.88	\$15.27	\$16.80	\$17.47	\$18.17	\$18.89

### Notes:

**Low Demand** connections are the following category of users: nurseries, warehouses, churches, truck, terminals, RV parks, RV storage yards, lumber/construction yards, public storage buildings; and other facilities with restroom offices, lobbies, and/or areas whose flows are similar in volume to these listed categories.

**High Demand** connections are the following categories of users: restaurants; supermarkets; car washes; coin laundries; shopping centers with one or more restaurants, or food court; food processing facilities, textile manufacturers, and other dischargers whose flow is similar in volume to these listed categories.

All other connections are **Average Demand** users, including hotels, strip malls without restaurants, office buildings, senior housing with individual living units without kitchens but with a common kitchen.



**STAFF REPORT  
CITY COUNCIL OR STUDY SESSION AGENDA**

**DATE:** August 27<sup>th</sup>, 2009

**AGENDA ITEM:** Resolution

D3, #15

**STUDY SESSION DATE:** N/A

**MEETING DATE:** August 8<sup>th</sup>, 2009

- **TITLE OF ITEM:** Approve Resolution No. 2009-147, a Resolution of the City of Hollister adopting Reductions in Sewer Rates and Charges for Sewer Services and Facilities through Fiscal Year '13-14.
- **BRIEF DESCRIPTION:** This Resolution adopts Reductions in Sewer Rates and Charges for Sewer Services and Facilities through Fiscal Year '13-14 and amends City Utility Billing and Collection Procedures in connection therewith.
- **STAFF RECOMMENDATION:** The Council approves the following motion: Adopt Resolution 2009-147.

**DEPARTMENT SUMMARY:** The City Council adopted Resolution 2008-164 on November 3<sup>rd</sup>, 2008 reducing the monthly Quantity Charges and Rates for City Sewer Services. Based upon an analysis performed by the City's Engineering Consultants, CH2MHill, the continued reduction in construction costs for the City's Wastewater Treatment Plant will result in substantial cost savings. These savings, in combination with the availability of excess Capitalized Interest from the issuance of the Sewer Bond Proceeds form the basis for the proposed reductions in Sewer Rates and Charges for Sewer Services and Facilities through Fiscal Year '13-14. The Rate Reductions in Sewer Rates and Charges for Sewer Services and Facilities equate to an additional 4.0% for Fiscal Years '2011-2012, '2012-2013, and '2013-2014 in accordance with the Rate Reductions referenced under Resolution 2008-164.

**FISCAL IMPACT:** None. The Rate Reductions in Sewer Rates and Charges for Sewer Services and Facilities equate to at least \$800,000 in savings for each of the three Fiscal Years.

**DEPARTMENT:** Administrative Services

**CONTACT PERSON:** Robert C. Gallegos

**THIS REPORT WAS REVIEWED BY THE CITY MANAGER WHO CONCURS WITH THE STAFF RECOMMENDATION:**

Clint G. Quilter, City Manager

**RESOLUTION NO. 2009-146**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER  
REDUCING WASTEWATER DEMAND FEE (SEWER IMPACT FEE) FOR ALL  
DEVELOPMENT WITHIN THE CITY**

**WHEREAS**, on October 30, 2006, the City Council accepted a report entitled Public Facilities Fee Study City of Hollister (October 30, 2006) ("the Study") that contained a comprehensive evaluation of the City's existing development impact fees including the Wastewater Demand Fee ("Sewer Impact Fee" or the "Fee"), attached hereto as Exhibit A; and

**WHEREAS**, the Study explained the nexus between the imposition of the Sewer Impact Fee and the estimated reasonable cost of the planned new wastewater treatment plant and the development of the seasonal storage ponds and effluent disposal system ("the Sewer Facilities"); and

**WHEREAS**, the Study recommended an increase to the City's Sewer Impact Fee so that new development would contribute its fair share to Sewer Facilities that will serve the new development; and

**WHEREAS**, on October 30, 2006, the City Council adopted a Sewer Impact Fee that complied with AB 1600 (the "Act"); and

**WHEREAS**, the costs of construction and the debt servicing costs for the Sewer Facilities were substantially lower than anticipated in 2006; and

**WHEREAS**, the City contracted with CH2M Hill to evaluate the existing Sewer Impact Fee in order to determine whether the Fee should be reduced in view of the reduced costs for the Sewer Facilities; and

**WHEREAS**, CH2MHill's Update of the City of Hollister Wastewater User Charges and Demand Fees dated July 10, 2009 (the "Update") uses the same methodology established by the Study and recommends a reduction in the Sewer Impact Fee; and

**WHEREAS**, the Update, attached hereto as Exhibit B, includes an alternative method for estimating commercial and industrial wastewater demand fees using three customer categories (low, average and high demand); and

**WHEREAS**, notice of the public hearing regarding the adoption of a reduced Sewer Impact Fee was published three times in a newspaper of general circulation, and a copy of the Update was made available for public review, in accordance with the requirements of the Act; and

**WHEREAS**, the City Council held a noticed public hearing on the Update and the proposed reduced Sewer Impact Fee on September 8, 2009 and considered all oral and written comments to the Update and proposed reduced Sewer Impact Fee; and

**WHEREAS**, the City of Hollister desires to adopt and impose the reduced Sewer Impact Fee in accordance with the nexus calculations and recommendations in the Study and the Update.

**NOW, THEREFORE**, the City Council of the City of Hollister does hereby find, order, and resolve as follows:

**SECTION 1: Findings pursuant to Government Code section 66001.** The Study complies with Government Code section 66001 by establishing the basis for the imposition of the fees on new development. This finding is based on the fact that the Study and the Update:

- (a) *Identify the purpose of the fees;*

The purpose of the Sewer Impact Fee is to recover the costs for the portion of the Sewer Facilities that is attributable to new development.

- (b) *Identify the use to which the fees will be put;*

The proceeds from the Sewer Impact Fee will be used to provide funding for the construction and debt service costs for the portion of the Sewer Facilities attributable to new development.

- (c) *Show a reasonable relationship between the use of the fees and the type of development project on which the fees are imposed;*

The Sewer Impact Fee will be imposed on new residential and commercial/industrial development projects. Those new development projects place an additional demand on the Sewer Facilities. The Sewer Facilities were partially funded by the bonds issued in 2006, and the Sewer Impact Fee will fund the portion of the debt service costs and construction costs of the Sewer Facilities attributable to new development. The Sewer Facilities will address and mitigate the additional impacts and demands created by these residential and commercial/industrial development projects.



- (d) *Demonstrate a reasonable relationship between the need for the public facility and the type of development projects on which the fees are imposed;*

The Sewer Impact Fee will be applied to all residential and commercial/industrial development which generate additional residents and sewer users in the community. The Sewer Facilities will serve the expanded sewer needs generated by new residential and commercial/industrial development projects.

- (e) *Demonstrate a reasonable relationship between the amount of the fees and the cost of the public facility or portion of the public facility attributable to the development on which the fees are imposed.*

The Sewer Impact Fee has been calculated by applying the unit cost of the expanded capacity of the Sewer Facilities attributed to new development against future residential and commercial/industrial development as specified in the Study and Update.

**SECTION 2. Fee for Uses Consistent with the Study** The City Council determines that the Sewer Impact Fee collected pursuant to this Resolution shall be used to finance the Sewer Facilities described or identified in the Study and the Update, the Hollister General Plan, the City of Hollister Domestic Wastewater System Improvements and San Benito County Water District Recycled Water Facility Project, or such other public facility master plans as may from time to time be adopted by the City Council.

**SECTION 3. Approval of Items in Study.** The City Council has considered the specific project descriptions and cost estimates identified in the Study and Update and hereby approves the Sewer Facilities description and cost estimates and finds them reasonable as the basis for calculating and imposing the Sewer Impact Fee.

**SECTION 4. Consistency with General Plan.** The City Council finds that the Sewer Facilities and fee methodology identified in the Study are consistent with the City's General Plan and other City planning documents.

**SECTION 5. CEQA Finding** The adoption of the Update and the Sewer Impact Fee are categorically exempt from environmental review pursuant to section 15061(b) (3) of the California Environmental Quality Act guidelines. The intent of the Update and Sewer Impact Fee is to provide one way to fund projects and services that have been identified in environmental analyses of other planning efforts, including the General Plan EIR and various City master plans, among others.

**SECTION 6. Acceptance of Update** The City Council hereby adopts the *Update of City of Hollister Wastewater User Charges and Demand Fees (July 10, 2009.)*

**SECTION 7. Payment of Fee.** A Sewer Impact Fee shall be imposed at the earliest time authorized by law as set forth in Government Code section 66007, and no later than "Final Inspection" for the project. The Sewer Impact Fee shall apply to all new or pending development in the City for which a building permit has not yet issued.

**SECTION 8. Amount of Fee.** The City Council hereby approves and adopts the Sewer Impact Fee as set forth in the Update and in the following Tables. The amount of the Sewer Impact Fee shall be reduced or a credit shall be applied towards the Fee in proportion to the monetary cost of any improvements installed that would have been funded by said Fee. The amount of the Sewer Impact Fee shall be modified annually each July 1 based on the change in the Engineering News Record's construction cost index as reported for the twelve month period ending in April of each year.

**Fee Schedule**

Class	Unit	Flow GPD	BOD lbs/day	SS lbs/day	TOTAL
Single Family	Dwelling Unit	226	0.38	0.38	\$11,613
Multi-Dwelling	Dwelling Unit	160	0.27	0.27	\$8,227
Mobile Home	Dwelling Unit	145	0.24	0.24	\$7,430
School	Student	11	0.01	0.01	\$519
<b>Commercial-Industrial</b>			<b>SingleFamily Equivalent</b>		<b>Fee</b>
Low Demand	1000 sq. ft.		0.05		\$581
Ave. Demand	1000 sq. ft.		0.30		\$3,484
High Demand	1000 sq. ft.		0.70		\$8,129

Low Demand connections are the following categories of users: nurseries, warehouses, churches, truck terminals, RV parks, RV storage yards, lumber/construction yards, public storage buildings, other facilities with offices with one or more shared restrooms, lobbies, or areas whose flows are similar in volume to these listed categories.

High Demand connections are the following categories of users: restaurants, supermarkets, car washes, coin laundries, shopping centers with one or more restaurants, or food court, food processing facilities, textile manufacturers, and other dischargers whose flow is similar in volume to these listed categories.



All other connections are Average Demand users, including hotels, strip malls without restaurants, office buildings, senior housing with individual living units without kitchens but with a common kitchen and other dischargers whose flow is similar in volume to these listed categories.

**SECTION 9. Use of fees.** The Sewer Impact Fee shall be solely used for (1) the purposes described in the Study and Update and in Section 1 of this Resolution; (2) reimbursing the City for the development's fair share of those capital improvements already constructed by the City; or (3) reimbursing developers who have already constructed public facilities described in the Study or the Capital Improvement Program or other facility master plans adopted from time to time by the City Council, where those facilities exceeded that needed to mitigate the impacts of the developers' project or projects.

**SECTION 10. Effective date of fees.** The Sewer Impact Fee shall become effective sixty (60) days following the adoption of this Resolution by the City Council.

**SECTION 11. Prior Resolutions and Ordinances Superseded.** This Resolution shall supersede previously adopted resolutions, specifically Resolution 2006-151, or ordinances that set the amounts of Sewer Impact Fee.

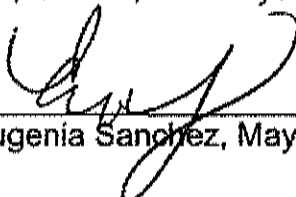
**SECTION 12. Severability.** If any action, subsection, sentence, clause or phrase of this Resolution or the imposition of a development impact fee for any project described in the Study or the application thereof to any person or circumstance shall be held invalid or unconstitutional by a court of competent jurisdiction, such invalidity shall not affect the validity of the remaining portions of this Resolution or other fees levied by this Resolution that can be given effect without the invalid provisions or application of fees.

**PASSED AND ADOPTED** at a regular meeting of the City Council of the City of Hollister held this 8th day of September, 2009, by the following vote:

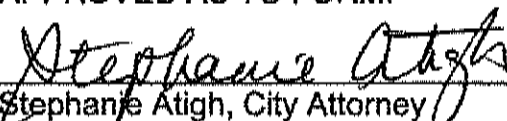
AYES: Council Members Valdivia, Emerson, Gomez, and Mayor Sanchez.

NOES: None.

ABSENT: Council Member Friend.

  
\_\_\_\_\_  
Eugenia Sanchez, Mayor

ATTEST:  
  
\_\_\_\_\_  
Geri Johnson, City Clerk

APPROVED AS TO FORM:  
  
\_\_\_\_\_  
Stephanie Atigh, City Attorney

## EXHIBIT "A"

### 10. SEWER FACILITIES

This section presents an analysis of the need for sewer facilities to accommodate new development in the City of Hollister. A fee schedule is presented based on the cost of these facilities to ensure that new development provides adequate funding to meet its needs. The connection fees in this fee schedule are based on a Wastewater Treatment Plant component.

#### Wastewater Treatment Plant Component

The wastewater treatment plant reached its treatment capacity in 2002; therefore, a new wastewater treatment plant is necessary to accommodate new growth. The proposed design capacity of five million gallons per day (5 mgd) for the Plant is in accordance with the growth projections in the City's General Plan. The treatment process will be upgraded as well, incorporating membrane bioreactor technology to help meet tertiary effluent water quality standards in accordance with regional reclaimed water objectives for reuse and recycling of treated effluent.

Corresponding to the facility expansion is the need to increase the wastewater strength handling capacities of biochemical oxygen demand (BOD) and suspended solids (SS). Table 10.1 depicts the increase in strength and flow demands associated with new development.

The total increase is the difference between the current usage and the projected usage at build-out. Note that BOD and SS strengths are based on the average waste strength of 350 and 400 mg/L, respectively, handled by the system.

10.1: Additional Capacity

	Current Usage	Expansion Project	Total Additional Demand
Flow	2,700,000 GPD	5,000,000 GPD	2,300,000 GPD
BOD	7,881 lbs/day	14,595 lbs/day	6,714 lbs/day
SS	9,007 lbs/day	16,880 lbs/day	7,873 lbs/day

**Note:**

BOD based on average waste strength to the system of 350 mg/L.

SS based on average waste strength to the system of 400 mg/L.

Sources: CH2MHILL; City of Hollister; MuniFinancial.

Table 10.2 depicts the costs associated with the WWTP expansion and Capital Improvement Projects associated with new development. City staff and consultant provided estimated total project construction costs.

10.2: Capital Improvement Cost

Project	Cost	Date Construction Awarded	46% Growth	54% Deficiency
Domestic WWTP	\$ 73,000,000	10 / 2006	\$ 39,560,000	\$ 39,420,000
Seasonal Storage Ponds	22,000,000	3 / 2007	10,120,000	11,860,000
Debt Financing Cost <sup>1</sup>	213,378,133	6 / 2007	98,153,941	115,224,192
Effluent Disposal System	25,000,000	8 / 2007	11,500,000	13,500,000
<b>Total</b>	<b>\$ 333,378,133</b>		<b>\$ 163,353,941</b>	<b>\$ 160,024,192</b>

<sup>1</sup> Cost include refunding of 1993 bonds, reserve fund, capital interest, and cost of issue.

Sources: CH2MHILL; City of Hollister; Stone and Youngberg; MuniFinancial.

Table 10.3 outlines the debt financing assumptions used for the financing plan. Debt financing assumptions are based on the Hollister wastewater bond schedule provided by the investment banking firm Stone and Youngberg. This financing is necessary because there are not sufficient reserves.

10.3: 2006 Wastewater Revenue Bonds

	Principal	Interest	Gross Debt Service	Capitalized Interest	Net Debt Service
6/30/2007	\$ 770,000	\$ 6,083,872	\$ 6,853,872	\$ (4,333,043)	\$ 2,520,829
6/30/2008	535,000	9,105,070	9,640,070	(5,899,565)	3,740,505
6/30/2009	560,000	9,079,739	9,639,739	(3,039,783)	6,599,957
6/30/2010	2,440,000	9,008,019	11,448,019		11,448,019
6/30/2011	2,560,000	8,896,739	11,446,739		11,446,739
6/30/2012	2,690,000	8,756,769	11,446,769		11,446,769
6/30/2013	2,830,000	8,617,354	11,447,354		11,447,354
6/30/2014	2,980,000	8,488,007	11,448,007		11,448,007
6/30/2015	3,140,000	8,308,793	11,448,793		11,448,793
6/30/2016	3,310,000	8,139,045	11,449,045		11,449,045
6/30/2017	3,490,000	7,957,973	11,447,973		11,447,973
6/30/2018	3,680,000	7,765,255	11,445,255		11,445,255
6/30/2019	3,895,000	7,553,914	11,448,914		11,448,914
6/30/2020	4,120,000	7,328,633	11,448,633		11,448,633
6/30/2021	4,355,000	7,094,481	11,449,481		11,449,481
6/30/2022	4,605,000	6,843,539	11,448,539		11,448,539
6/30/2023	4,870,000	6,574,653	11,444,653		11,444,653
6/30/2024	5,160,000	6,287,508	11,447,508		11,447,508
6/30/2025	5,465,000	5,980,673	11,445,673		11,445,673
6/30/2026	5,795,000	5,653,263	11,448,263		11,448,263
6/30/2027	6,140,000	5,304,744	11,444,744		11,444,744
6/30/2028	6,510,000	4,934,732	11,444,732		11,444,732
6/30/2029	6,905,000	4,540,617	11,445,617		11,445,617
6/30/2030	7,325,000	4,120,099	11,445,099		11,445,099
6/30/2031	7,775,000	3,672,750	11,447,750		11,447,750
6/30/2032	8,250,000	3,197,197	11,447,197		11,447,197
6/30/2033	8,755,000	2,691,710	11,446,710		11,446,710
6/30/2034	9,290,000	2,154,407	11,444,407		11,444,407
6/30/2035	9,865,000	1,583,095	11,448,095		11,448,095
6/30/2036	10,470,000	976,095	11,446,095		11,446,095
6/30/2037	11,115,000	331,783	11,446,783		11,446,783
<b>Total</b>	<b>159,650,000</b>	<b>187,000,524</b>	<b>346,650,524</b>	<b>(13,272,391)</b>	<b>333,378,133</b>

Source: Stone and Youngberg.

Table 10.4 depicts the total financing cost between new development and existing deficiencies based on the percentages from 10.2.

#### **10.4: Total Net Debt Service Associated with Sewer Treatment Plant**

Total Net Debt Service	46% Growth	54% Deficiency
\$ 333,378,133	\$ 153,353,941	\$ 180,024,192

Sources: CH2MHILL; City of Hollister; Stone and Youngberg; MuniFinancial.

Based on the data from Table 10.4, the growth component is broken into strength and flow. These are based on the allocation of net project costs of \$153,353,941 by factors of 72%, 22%, and 6% for Flow, BOD, and SS, respectively (allocation factors were provided by CH2MHILL). The cost by strength and flow are shown below.

#### **10.5: Cost broken by Strength and Flow**

Net Debt Service Attributed to Growth	72% Flow	22% BOD	6% SS
\$ 153,353,941	\$ 110,414,838	\$ 33,737,867	\$ 9,201,236

Sources: City of Hollister; CH2MHILL; MuniFinancial.

Table 10.6 takes the total cost determined in Table 10.5 for Flow, BOD, and SS and divides that by the total additional demand shown in Table 10.1. This then gives us the unit cost for Flow at \$48.00, BOD at \$5,025, and SS at \$1,199.

#### **10.6: Expansion Component Connection Charge Unit Costs**

	Unit Costs
Flow	\$ 48 GPD
BOD	5,025 lbs/day
SS	1,199 lbs/day

Sources: City of Hollister; CH2MHILL; MuniFinancial.

## Alternative Funding

The City anticipates using existing revenue sources or developing new sources to fund the non-fee share of planned facility costs. Likely potential sources of revenue include utility rate, grant funds, developer contributions, redevelopment funds, existing or new general fund revenues, or existing or new taxes or assessments. Any new tax would require two-thirds voter approval. Any new assessments or property-related charge would require majority property owner approval.

## Fee Schedule

Table 10.7 below lists the strength and flow characteristics of each customer class. The concentrations of BOD and SS were converted to pounds per day by multiplying each concentration by its corresponding Flow and a conversion factor of  $8.34 \times 10^{-6}$  (units of conversion factor are pounds per gallon per mg/L). The strength and flow characteristics shown in bold are then multiplied by their corresponding unit costs (shown above in Table 10.6) to obtain the portions of the connection charge relating to Flow, BOD, and SS for each customer class. The sum of these is the total WWTP component of the connection charge, shown for each customer type in Table 10.8. Included in the fee is a 2.5% administration charge.

## 10.7: Wastewater Characteristics by Customer Class

Customer Class	Unit	Flow (GPD)	BOD (mg/L)	SS (mg/L)	BOD (lbs/day)	SS (lbs/day)
Single Dwelling	Dwelling Unit	228	200	200	0.38	0.38
Multi-Dwelling	Dwelling Unit	180	200	200	0.27	0.27
Mobile Homes	Dwelling Unit	145	200	200	0.24	0.24
School	Student	11	130	100	0.01	0.01
Light Industrial	1000 sq ft	25	220	220	0.05	0.05
Warehouse	1000 sq ft	25	210	210	0.04	0.04
Market w/ Grinder	1000 sq ft	80	800	800	0.40	0.40
Church	1000 sq ft	60	200	200	0.10	0.10
Commercial/Office	1000 sq ft	60	200	200	0.10	0.10
Theaters	1000 sq ft	80	250	280	0.19	0.21
Markets w/o Grinder	1000 sq ft	80	150	150	0.08	0.08
Pharmacy	1000 sq ft	100	150	150	0.13	0.13
Bars	1000 sq ft	360	200	200	0.58	0.58
Auto Repair	1000 sq ft	100	180	280	0.15	0.23
Service Stations	1000 sq ft	100	180	280	0.15	0.23
Restaurants	1000 sq ft	150	1000	800	1.25	0.75
Mortuaries	1000 sq ft	100	800	800	0.67	0.67
Hospitals	Bed	200	250	100	0.42	0.17
Barber/Beauty Shop	1000 sq ft	40	210	220	0.07	0.07
Car Wash - No Recycling	1000 sq ft	3700	20	150	0.62	4.63
Motel	Sleeping Room	125	310	120	0.32	0.13
Laundromat	Machine	500	150	110	0.63	0.46
Fast Food	1000 sq ft	570	400	400	1.90	1.80
Retail Store	1000 sq ft	100	150	150	0.13	0.13

## Note:

Lbs/day = Concentration (mg/L) × Flow (GPD) × 8.34e<sup>-6</sup> (Factor); conversion factor has units of pounds per mg/L per gallon.

Sources: City of Hollister; State Water Resource Control Board; CH2MHILL; LACSD; EPA; MuniFinancial.

**10.8: WWTP Expansion Component Connection Charge by Customer Class**

Customer Class	Unit	Flow (GPD)	BOD (mg/L)	SS (mg/L)	Connection Charge
Single Dwelling	Dwelling Unit	\$ 10,830	\$ 1,891	\$ 451	\$ 13,502
Multi-Dwelling	Dwelling Unit	7,697	1,344	321	8,598
Mobile Homes	Dwelling Unit	6,869	1,217	290	8,688
School	Student	536	81	11	623
Light Industrial	1000 sq ft	1,200	231	55	1,523
Warehouse	1000 sq ft	1,200	220	53	1,510
Market w/ Grinder	1000 sq ft	2,880	2,012	480	5,506
Church	1000 sq ft	2,880	503	120	3,591
Commercial/Office	1000 sq ft	2,880	503	120	3,591
Theaters	1000 sq ft	4,321	943	252	5,853
Markets w/o Grinder	1000 sq ft	2,880	377	90	3,431
Pharmacy	1000 sq ft	4,801	629	150	5,719
Bars	1000 sq ft	16,802	2,934	700	20,947
Auto Repair	1000 sq ft	4,801	754	280	5,981
Service Stations	1000 sq ft	4,801	754	280	5,981
Restaurants	1000 sq ft	7,201	6,287	900	14,747
Mortuaries	1000 sq ft	4,801	3,353	800	9,177
Hospitals	Bed	9,601	2,086	200	12,194
Barber/Beauty Shop	1000 sq ft	1,920	352	88	2,419
Car Wash - No Recycling	1000 sq ft	177,624	3,101	5,551	190,933
Motel	Sleeping Room	6,001	1,624	150	7,869
Laundromat	Machine	24,003	3,143	650	28,389
Fast Food	1000 sq ft	27,364	9,556	2,280	40,180
Retail Store	1000 sq ft	4,801	629	150	5,719

Note: Administration Charge is 2.5% of subtotal cost.

Sources: City of Hollister; State Water Resource Control Board; CHM2HLL; LACSD; EPA; MuniFinancial.



# EXHIBIT "B"

TECHNICAL MEMORANDUM

CH2MHILL

## Update of City of Hollister Wastewater User Charges and Demand Fees

PREPARED FOR: City of Hollister  
PREPARED BY: Allan Highstreet  
CH2M HILL  
DATE: July 10, 2009  
PROJECT NUMBER: 344738.A2.FN

### Introduction/Scope

In 2006, MuniFinancial prepared a Wastewater Rate Analysis and a Public Facilities Fee Study for the City of Hollister. These increased rates and fees were needed to recover costs for the new wastewater treatment plant. Since that time, there have been three significant changes. First, construction is nearly complete, and due to a favorable bidding climate, resulting costs are lower than originally planned. Second, the economic downturn has significantly slowed growth. Third, lower interest rates than anticipated resulted in debt service costs lower than planned. This study looks at the impacts of those changes, and includes new operating budget estimates.

### Updated Wastewater User Charges

This update of the 2006 wastewater rate study continued the same methodology established by MuniFinancial. This update added the City's proposed operating budget, revised the growth projections, and included the new debt service totals adjusted for the recalled bonds.

### Projected Operating Costs

The major change projected in operating costs is related to the added facilities. The City anticipates that operating costs will be 30% higher with the new facilities, included in the sewer domestic account. With the exception of the sewer industrial account, which is anticipated to decline over time, the remaining costs have increased roughly at the rate of inflation.

### Debt Service

Because project construction costs are lower than anticipated, some of the issued bonds will be able to be recalled. This will result in savings of over \$800,000 per year. Additionally, the City has been able to use excess capitalized interest over the next two years to offset revenue requirements.

## Customers

Because of the economic downturn, projected new connections have slowed significantly. The City anticipates approximately 15 new connections per year for the foreseeable future. To be conservative for this analysis, we have assumed no increase in customers.

## Required Rate Increases

To meet the financial covenants associated with the bond issue, the City will need to raise rates. Working with City staff and the City's financial advisor, a schedule of proposed rates has been developed that meets City cash flow needs plus meets bond covenants.

### WASTEWATER RATE INCREASES

City of Hollister

Fiscal Year	Rate Increase
2009-2010	10%
2010-2011	10%
2011-2012	4%
2012-2013	4%
2013-2014	4%

## Recommendations

It is recommended that these increases be implemented by the City. These increases are less than previously anticipated in the last rate study, and provide flexibility in the future if operating costs come in higher than planned.

## Updated Wastewater Demand Fees

As project construction nears completion, because of a favorable bidding climate, construction costs will likely be lower than projected. In addition to the construction cost savings, debt service costs will also be lower than the originally estimated. Revised demand fees are attached.

In addition, the City was interested in an alternative approach to estimating commercial and industrial demand fees. Based on a review of demand fee approaches across the state, Orange County Sanitation District has a simplified approach for aggregating customer classes for commercial and industrial users. This approach had just three customer categories — low, average, and high demand customers. This breakdown was used to develop an alternative fee structure for Hollister. These alternative fees are attached.

**Wastewater Utility Revenue Requirements**  
**City of Hollister**

Description	FY 07/08	FY 08/08	FY 09/10	FY 10/11	FY 11/12	FY 12/13
	actual	estimated	projected	projected	projected	projected
<b>Operating Revenues</b>						
Charges for Service	\$8,803,331	\$10,065,288	\$10,065,288	\$10,065,288	\$10,065,288	\$10,065,288
Total Operating Revenues	\$8,803,331	\$10,065,288	\$10,065,288	\$10,065,288	\$10,065,288	\$10,065,288
<b>Additional Revenue Required</b>						
Year	Revenue Increase	Months Effective				
FY 08/10	10%		\$0	\$0	\$1,006,530	\$1,006,530
FY 10/11	10%		\$0	\$0	\$1,107,183	\$1,107,183
FY 11/12	4%		\$0	\$0	\$487,160	\$487,160
FY 12/13	4%		\$0	\$0	\$0	\$508,847
Total Additional System Operating Revenue from Rate Increases	\$0	\$0	\$1,006,530	\$2,113,713	\$2,600,873	\$3,107,520
Rate Stabilization Fund Transfer	(\$541,521)	\$0	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
Total Operating Revenues	\$8,061,810	\$10,065,288	\$10,871,828	\$11,979,012	\$12,466,172	\$12,972,819
<b>Applications of Funds</b>						
<b>Operating Expenses</b>						
Non Department Expenditures	\$490,836	\$586,482	\$630,000	\$636,500	\$663,065	\$669,696
City Manager	\$0	\$0	\$0	\$0	\$0	\$0
Finance	\$114,531	\$117,676	\$123,559	\$129,737	\$136,224	\$143,035
Information Systems	\$27,020	\$43,072	\$43,235	\$47,485	\$49,861	\$52,354
Engineering	\$65,950	\$69,834	\$73,325	\$76,992	\$80,542	\$84,884
Sewer Domestic	\$701,155	\$1,691,974	\$1,205,000	\$2,315,250	\$3,131,033	\$2,552,563
Sewer Industrial	\$246,338	\$30,200	\$30,000	\$31,500	\$33,075	\$34,729
Sewer Collection	\$455,572	\$710,264	\$745,775	\$783,067	\$822,220	\$863,351
Total Operating Expenses	\$2,501,403	\$3,309,802	\$3,872,888	\$4,040,532	\$4,216,289	\$4,400,591
Net Operating Income (Loss)	\$5,560,407	\$6,755,797	\$8,998,941	\$7,938,479	\$8,249,873	\$8,572,228
<b>Debt Service</b>						
Series 1993 Bonds	\$0	\$0	\$0	\$0	\$0	\$0
2007 Bonds	\$569,073	\$566,700	\$569,700	\$567,100	\$569,100	\$565,500
2006 Bonds	\$6,172,500	\$8,188,100	\$7,843,500	\$7,817,250	\$7,818,000	\$7,820,525
Less Capl	-\$3,000,000	-\$1,700,000	\$0	\$0	\$0	\$0
Less Interest Earnings and Debt Service Fund	-\$260,847	-\$337,877	-\$337,877	-\$337,877	-\$337,877	-\$337,877
Less Debt Service on Called Bonds			-\$870,575	-\$868,575	-\$1,021,325	-\$1,021,825
Less Supplemental Capl from excess proceeds			-\$1,000,000	-\$1,000,000		
Total Debt Service	\$3,480,728	\$4,687,123	\$6,004,948	\$6,176,098	\$7,028,098	\$7,026,623
<b>Non-Operating Income</b>						
Interest	\$139,050	\$34,105	\$220,735	\$285,474	\$358,510	\$447,679
Impact Fee Revenues						
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Income	\$139,050	\$34,105	\$220,735	\$285,474	\$358,510	\$447,679
<b>Debt Service Coverage<sup>1</sup></b>						
Net Revenues with Rate Stabilization Fund	1.84	1.45	1.20	1.33	1.22	1.28
Net Revenues excluding Impact Fees	1.84	1.45	1.20	1.33	1.22	1.28
<b>Non-Operating Expenses</b>						
Repair & Replacement Reserve	\$82,290	\$82,290	\$82,290	\$82,290	\$82,290	\$82,290
Transfers Out	\$0	\$0	\$310,000	\$0	\$0	\$0
Total Non-Operating Expenses	\$82,290	\$82,290	\$392,290	\$82,290	\$82,290	\$82,290
Net Income (Loss)	\$2,138,441	\$2,010,489	\$822,438	\$1,963,566	\$1,487,995	\$1,911,094
Operating Fund			\$0	\$0	\$0	\$0
Total Funds	\$2,138,441	\$2,010,489	\$822,438	\$1,963,566	\$1,487,995	\$1,911,094
<b>Wastewater Enterprise Fund</b>						
Beginning Operating Fund Balance	\$2,882,337	\$5,540,299	\$8,092,310	\$9,858,268	\$12,561,355	\$15,200,871
Deposit (Withdrawals)	\$2,138,441	\$2,010,489	\$822,438	\$1,963,566	\$1,487,995	\$1,911,094
Net Balance	\$4,998,778	\$7,550,789	\$8,914,747	\$11,819,834	\$14,069,350	\$17,111,964
Fund Balance Percent of O&M	\$0	\$0	\$0	\$0	\$0	\$0
Desired Operating Fund Balance	\$833,601	\$1,103,187	\$1,280,883	\$1,346,844	\$1,405,433	\$1,468,864
<b>Rate Stabilization Fund</b>						
Target Rate Stabilization Fund (15% of Debt)	\$561,076	\$989,993	\$1,717,203	\$1,717,011	\$1,717,015	\$1,717,103
Transfer into Rate Stabilization Fund	\$541,521	\$0	\$200,000	\$200,000	\$200,000	\$200,000
Ending Rate Stabilization Fund Balance	\$541,521	\$541,521	\$741,521	\$941,621	\$1,141,521	\$1,341,521
<b>Final Operating Fund Balance</b>	<b>\$5,540,299</b>	<b>\$8,492,310</b>	<b>\$9,556,268</b>	<b>\$12,561,385</b>	<b>\$15,200,871</b>	<b>\$18,453,485</b>

**Notes:**

Revenue sources are projected to increase 0 percent annually, and to increase 5 percent per year

<sup>1</sup> Debt Service Coverage = System Net Revenues / Total Debt Service coverage ratio on the City's outstanding wastewater debt is 110% from System Net Revenues and 100% from System Net Revenues less any impact fees.

Sources: City of Hollister; Stone and Youngberg.

## 2009 Wastewater Demand Fee

### City of Hollister

#### Project Cost Breakdown

Project	Cost	46% Growth	54% Deficiency
Domestic WWTP	\$72,500,000	\$33,350,000	\$39,150,000
Seasonal Storage Ponds	\$10,650,000	\$4,899,000	\$5,751,000
Debt Financing Costs	\$185,085,133	\$85,139,161	\$99,945,972
Effluent Disposal System	\$17,600,000	\$8,096,000	\$9,504,000
<b>Total</b>	<b>\$286,835,133</b>	<b>\$131,484,161</b>	<b>\$154,350,972</b>

#### Unit Cost Determination

	Total	Flow	BOD	SS
Allocation		72%	22%	6%
Cost Allocation	\$131,484,161	\$94,668,596	\$26,926,515	\$7,889,050
		GPD	lbs/day	lbs/day
Total New Capacity		2,300,000	6,714	7,673
<b>Unit Cost</b>		<b>\$41.16</b>	<b>\$4,308</b>	<b>\$1,028</b>

#### Wastewater Demand Fee by Customer Class

Customer Class	Unit	Flow GPD	BOD lbs/day	SS lbs/day	Total
Single Family	dwelling unit	226	0.38	0.38	\$11,613
Multi-Dwelling	dwelling unit	160	0.27	0.27	\$8,227
Mobile Homes	dwelling unit	145	0.24	0.24	\$7,430
School	student	11	0.01	0.01	\$519
Light Industrial/Warehouse	1000 sq ft	25	0.05	0.05	\$1,328
Large Retailer	1000 sq ft	25	0.05	0.05	\$1,328
Market	1000 sq ft	60	0.20	0.20	\$3,625
Church	1000 sq ft	60	0.10	0.10	\$3,078
Commercial/Office	1000 sq ft	60	0.10	0.10	\$3,078
Theaters	1000 sq ft	90	0.19	0.21	\$4,857
Bars	1000 sq ft	350	0.58	0.58	\$17,939
Auto Repair/Service Station	1000 sq ft	100	0.15	0.23	\$5,124
Restaurants/Bars	1000 sq ft	200	1.10	0.70	\$14,033
Restaurants	1000 sq ft	150	1.25	0.75	\$12,639
Mortuaries	1000 sq ft	100	0.67	0.67	\$7,884
Hospitals	bed	200	0.42	0.17	\$10,472
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Laundromat	machine	500	0.63	0.46	\$24,362
Fast Food	1000 sq ft	570	1.90	1.90	\$34,441
Retail Store	1000 sq ft	100	0.13	0.13	\$4,930

\*Includes 2.5% administration charge

## 2009 Wastewater Demand Fee

### Alternative Approach for Commercial/Industrial Users

#### City of Hollister

Commercial-Industrial	Unit	Single Family Equivalent	Fee
Low Demand	1000 sq ft	0.05	\$581
Average Demand	1000 sq ft	0.30	\$3,484
High Demand	1000 sq ft	0.70	\$8,129

**Low Demand** connections are the following category of users: nurseries, warehouses, churches, truck terminals, RV parks, RV storage yards, lumber/construction yards, public storage buildings; and other facilities with restroom offices, lobbies, and/or areas whose flows are similar in volume to these listed categories.

**High Demand** connections are the following categories of users: restaurants; supermarkets; car washes; coin laundries; shopping centers with one or more restaurants, or food court; food processing facilities, textile manufacturers, and other dischargers whose flow is similar in volume to these listed categories.

All other connections are **Average Demand** users, including hotels, strip malls without restaurants, office buildings, senior housing with individual living units without kitchens but with a common kitchen.

## Update of City of Hollister Wastewater User Charges and Demand Fees

PREPARED FOR: City of Hollister  
PREPARED BY: Allan Highstreet  
CH2M HILL  
DATE: July 10, 2009  
PROJECT NUMBER: 344738.A2.FN

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### WASTEWATER RATE INCREASES City of Hollister

Fiscal Year	Rate Increase
2009-2010	10%
2010-2011	10%
2011-2012	4%
2012-2013	4%
2013-2014	4%

## Recommendations

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# Wastewater Utility Revenue Requirements

## City of Hollister

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	actual	estimated	projected	projected	projected	projected
Operating Revenues						
Charges for Service	\$8,603,331	\$10,065,299	\$10,065,299	\$10,065,299	\$10,065,299	\$10,065,299
Total Operating Revenues	\$8,603,331	\$10,065,299	\$10,065,299	\$10,065,299	\$10,065,299	\$10,065,299
Additional Revenue Required						
Year	Revenue Increase	Months Effective				
FY 08/10	10%		\$0	\$0	\$1,006,530	\$1,006,530
FY 10/11	10%		\$0	\$0	\$1,107,183	\$1,107,183
FY 11/12	4%		\$0	\$0	\$467,160	\$467,160
FY 12/13	4%		\$0	\$0	\$0	\$506,647
Total Additional System Operating Revenue from Rate Increases	\$0	\$0	\$1,006,530	\$2,113,713	\$2,500,873	\$3,107,520
Rate Stabilization Fund Transfer	(\$541,821)	\$0	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)
Total Operating Revenues	\$8,061,510	\$10,065,299	\$10,871,829	\$11,879,012	\$12,468,172	\$12,872,819
Applications of Funds						
Operating Expenditures						
Non Department Expenditures	\$470,036	\$586,482	\$650,000	\$656,500	\$653,005	\$669,836
City Manager	\$0	\$0	\$0	\$0	\$0	\$0
Finance	\$114,531	\$117,676	\$123,559	\$129,737	\$136,224	\$143,035
Information Systems	\$27,000	\$43,073	\$45,235	\$47,486	\$49,861	\$52,354
Engineering	\$65,950	\$69,834	\$73,326	\$76,992	\$80,842	\$84,894
Sewer Domestic	\$201,156	\$1,691,974	\$2,305,000	\$2,315,250	\$2,431,013	\$2,352,563
Sewer Industrial	\$146,338	\$90,200	\$30,000	\$31,506	\$33,073	\$34,729
Sewer Collection	\$855,573	\$718,264	\$745,778	\$783,067	\$822,220	\$863,331
Total Operating Expenses	\$2,501,403	\$3,309,502	\$3,872,888	\$4,040,552	\$4,218,299	\$4,400,561
Net Operating Income (Loss)	\$5,560,107	\$6,755,797	\$6,998,941	\$7,838,470	\$8,249,873	\$8,472,258
Debt Service						
Series 1993 Bonds	\$0	\$0	\$0	\$0	\$0	\$0
2007 Bonds	\$589,073	\$589,700	\$589,700	\$587,100	\$589,100	\$585,500
2006 Bonds	\$8,172,500	\$6,168,100	\$7,645,500	\$7,817,250	\$7,816,000	\$7,820,525
Less Cpl	-\$3,000,000	-\$1,700,000	\$0	\$0	\$0	\$0
Less Interest Earnings and Debt Service Fund	-\$264,947	-\$337,577	-\$337,577	-\$337,577	-\$337,577	-\$337,577
Less Debt Service on Called Bonds			-\$870,576	-\$968,673	-\$1,021,328	-\$1,021,625
Less Supplemental Cpl from excess proceeds			-\$1,000,000	-\$1,000,000		
Total Debt Service	\$3,482,726	\$4,687,129	\$6,004,948	\$8,178,098	\$7,028,068	\$7,028,525
Non-Operating Income						
Interest	\$139,050	\$34,105	\$220,735	\$285,474	\$358,510	\$447,679
Impact Fee Revenues						
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0
Total Non-Operating Income	\$139,050	\$34,105	\$220,735	\$285,474	\$358,510	\$447,679
Debt Service Coverage <sup>1</sup>						
Net Revenues with Rate Stabilization Fund	1.84	1.45	1.20	1.33	1.22	1.28
Net Revenues excluding Impact Fees	1.54	1.45	1.20	1.33	1.22	1.28
Non-Operating Expenses						
Repair & Replacement Reserve	\$82,290	\$82,290	\$82,290	\$82,290	\$82,290	\$82,290
Transfer Out	\$0	\$0	\$310,000	\$0	\$0	\$0
Total Non-Operating Expenses	\$82,290	\$82,290	\$392,290	\$82,290	\$82,290	\$82,290
Net Income (Loss)	\$2,136,441	\$2,010,489	\$822,438	\$1,963,566	\$1,497,995	\$1,811,084
Operating Fund			\$0	\$0	\$0	\$0
Total Funds	\$2,136,441	\$2,010,489	\$822,438	\$1,963,566	\$1,497,995	\$1,811,084
Wastewater Enterprise Fund						
Beginning Operating Fund Balance	\$2,862,337	\$5,540,289	\$9,082,310	\$9,658,268	\$12,561,355	\$18,200,871
Deposit (Withdrawals)	\$2,136,441	\$2,010,489	\$822,438	\$1,963,566	\$1,497,995	\$1,811,084
Net Balance	\$4,998,778	\$7,550,788	\$9,904,747	\$11,621,834	\$14,059,350	\$17,111,954
Fund Balance Percent of O&M	\$0	\$0	\$0	\$0	\$0	\$0
Desired Operating Fund Balance	\$833,801	\$1,103,187	\$1,280,883	\$1,348,844	\$1,405,433	\$1,458,964
Rate Stabilization Fund						
Target Rate Stabilization Fund (18% of Debt)	\$581,070	\$989,993	\$1,717,203	\$1,717,011	\$1,717,016	\$1,717,103
Transfer into Rate Stabilization Fund	\$541,821	\$0	\$200,000	\$200,000	\$200,000	\$200,000
Ending Rate Stabilization Fund Balance	\$541,821	\$541,821	\$741,821	\$941,821	\$1,141,821	\$1,341,821
Final Operating Fund Balance	\$5,540,299	\$8,092,310	\$9,856,268	\$12,561,355	\$15,200,871	\$18,453,485

### Notes:

Revenue sources are projected to increase 0 percent annually, and to increase 3 percent per year

<sup>1</sup> Debt Service Coverage = System Net Revenues / Total Debt Service coverage ratio on the City's outstanding wastewater debt is 110% from System Net Revenues and 100% from System Net Revenues less any impact fees.

Sources: City of Hollister, Stone and Youngberg

**RESOLUTION NO. 2008-164**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER  
ADJUSTING RATES AND QUANTITY CHARGES FOR SEWER SERVICES**

**WHEREAS**, on September 5, 2006, the City Council of the City of Hollister approved the City of Hollister Wastewater Rate Analysis Report dated July 6, 2006, which contained projected rates and quantity charges for sewer services, and

**WHEREAS**, on February 25, 2008, the City adopted the current rates schedule that accurately reflected the appropriate bimonthly Wastewater Sewer Service Rates; and

**WHEREAS**, the current rate structure reflects estimated interest and construction costs based upon the best available data at the time; and

**WHEREAS**, City staff has analyzed current data and projected the required sewer rate to support the actual bond debt.

**NOW, THEREFORE BE IT RESOLVED** that the City Council of the City of Hollister hereby adopts the rate table dated November 3, 2008, attached as "Exhibit A" that reflects a reduction in sewer service rates from those previously approved by Resolution No. 2006-115 and Resolution No. 2008-20.

**PASSED AND ADOPTED THIS** 3rd day of November 2008, by the following votes:

**AYES:** Council Members Valdivia, Johnson, Sandherr and Mayor Emerson.

**NOES:** None.

**ABSENT:** Council Member Pike.

  
\_\_\_\_\_  
Douglas A. Emerson, Mayor

**ATTEST:**

  
\_\_\_\_\_  
Geri Johnson, City Clerk

**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Stephanie Atigh, City Attorney

**BIMONTHLY SERVICE CHARGE**

<b>CUSTOMER CLASS</b>	<b>CURRENT RATE FY 08/09</b>	<b>FY08/09</b>	<b>FY09/10</b>	<b>FY 10/11</b>	<b>FY 11/12</b>
		<i>Proposed Rates</i>			
Single Family Residential	\$180.29	\$142.68	\$156.95	\$172.64	\$186.45
Multi-Family Residential	\$157.17	\$124.38	\$136.82	\$150.50	\$162.54
Mobile Homes	\$110.28	\$87.27	\$96.00	\$105.60	\$114.04
Commercial/Industrial (Low Strength)	\$84.85	\$67.14	\$73.85	\$81.24	\$87.74
Commercial/Industrial (Mod. Strength)	\$157.60	\$124.72	\$137.19	\$150.91	\$162.98
Industrial (High Strength)	\$613.08	\$485.18	\$533.70	\$587.07	\$634.03
Elementary & Middle School (per Pupil)	\$6.57	\$5.19	\$5.71	\$6.28	\$6.78
High Schools (per Pupil)	\$6.57	\$5.19	\$5.71	\$6.28	\$6.78

**QUANTITY CHARGE PER HUNDRED CUBIC FEET (HCF)**

<b>CUSTOMER CLASS</b>	<b>CURRENT RATE FY 08/09</b>	<b>FY08/09</b>	<b>FY09/10</b>	<b>FY 10/11</b>	<b>FY 11/12</b>
		<i>Proposed Rates</i>			
Commercial/Industrial (Low Strength)	\$7.86	\$6.23	\$6.85	\$7.54	\$8.14
Commercial/Industrial (Mod. Strength)	\$9.45	\$7.48	\$8.23	\$9.05	\$9.77
Industrial (High Strength)	\$17.54	\$13.88	\$15.27	\$16.79	\$18.14

Notes:

HCF = Hundred Cubic Feet

November 3, 2008

**RESOLUTION NO. 2008-20**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER  
CORRECTING MONTHLY QUANTITY CHARGES AND RATES  
FOR SEWER SERVICES**

**WHEREAS**, the City of Hollister received the City of Hollister Wastewater Rate Analysis Report dated July 6, 2006 (hereinafter "the Report") to determine wastewater revenue requirements, system costs, and appropriate, fair, and equitable rates and rate structures in order to maintain City's financial soundness and stability for the five (5) fiscal years ending June 30, 2007 through 2011; and

**WHEREAS**, the Report included a new wastewater rate schedule for existing and development revenue demands; and

**WHEREAS**, Table 7 of the Report contained the proposed bimonthly wastewater rates for Service Charges for all eight (8) customer classes and bimonthly wastewater rates for Quantity Charges per Hundred Cubic Feet for commercial and industrial uses at low, moderate, and high strengths for the fiscal years ending June 20, 2007 through 2011; and

**WHEREAS**, on September 5, 2006, following a properly noticed public hearing the City Council approved and adopted the Report in its entirety in Resolution No. 2006-115, including proposed bimonthly Service and Quantity wastewater charges at the same time that the Council approved and adopted monthly Service and Quantity Charges shown in Table 1 of Resolution No. 2006-115; and

**WHEREAS**, the intention of the City Council was to adopt monthly Service and Quantity rates by taking the bimonthly rates of the Report and dividing them in half; and

**WHEREAS**, this means of calculating monthly rates was effective for Service Charges but was not effective for rates based on Quantity Charges per Hundred Cubic Feet since the effluent concentrations in the Quantity Charges are the same regardless of the frequency of billing; and

**WHEREAS**, Table 1 of Resolution No. 2006-115 also included incorrect current rate information for Quantity Charges per Hundred Cubic Feet in that the Table showed one-half of the then-current Wastewater rates; and

**WHEREAS**, the approved actions in Resolution No. 2006-115 were inconsistent because the Council approved the Report which contained accurate *bimonthly* rates for Quantity Charges but at the same time approved incorrect *monthly* rates for Quantity Charges; and

**WHEREAS**, the City Council now seeks to resolve the inconsistency contained in Resolution No. 2006-115 by correcting the monthly rates for Quantity Charges so that they match the proposed bimonthly rates of the Quantity Charges in the Report.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HOLLISTER FINDS AND RESOLVES AS FOLLOWS:**

On September 5, 2006, the City Council intended to approve and adopt monthly rates for Wastewater Service Charges and Wastewater Quantity Charges that were consistent with the proposed bimonthly wastewater rates for Service Charges and Quantity Charges contained in Table 7 of the Report.

1. On September 5, 2006, the City Council intended to approve and adopt a Rate Table that included accurate information about the then-current wastewater rates.

2. The proposed bimonthly Quantity Charges in the Report were incorrectly divided in half in Table 1 of Resolution No. 2006-115 which caused incorrect proposed wastewater rates for Quantity Charges as well as incorrect current wastewater rates.

3. The City Council hereby adopts a corrected Table 1 that contains identical monthly Service Charges and corrected Quantity Charges per Hundred Cubic Feet that are consistent with the proposed rates in the Report.

4. The City Council directs the City Clerk to replace Table 1 of Resolution No. 2006-115 with the corrected Table 1 approved by this Resolution, dated February 25, 2008.

**PASSED AND ADOPTED** by the City Council of the City of Hollister at a special meeting held on the 25th day of February, 2008 by the following vote:

AYES: Council Members Valdivia, Johnson, Sanchez, and Mayor Emerson.

NOES: None.

ABSENT: Council Member Pike.

ABSTAINED: None.



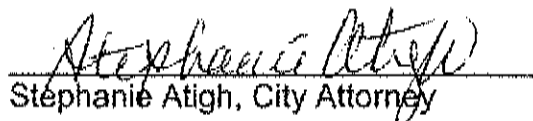
Douglas A. Emerson, Mayor

ATTEST:



Geri Johnson, City Clerk

APPROVED AS TO FORM:



Stephanie Atigh, City Attorney



**Table 1: Wastewater Service Rates**

<b>Bimonthly Service Charge</b>						
Customer Class	Current Rate	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11
Single Family Residential	\$62.60	\$92.65	\$129.71	\$180.29	\$248.80	\$248.80
Multi-Family Residential	\$54.57	\$80.76	\$113.07	\$157.17	\$216.89	\$216.89
Mobile Homes	\$38.29	\$56.67	\$79.34	\$110.28	\$152.18	\$152.18
Commercial/Industrial (Low Strength)	\$29.46	\$43.60	\$61.04	\$84.85	\$117.09	\$117.07
Commercial/Industrial (Moderate Strength)	\$54.72	\$80.99	\$113.38	\$157.60	\$217.49	\$217.49
Industrial (High Strength)	\$212.87	\$315.05	\$441.07	\$613.08	\$846.05	\$846.05
Elem. & Middle Schools	\$2.28	\$3.37	\$4.72	\$6.57	\$9.06	\$9.06
High School	\$2.28	\$3.37	\$4.72	\$6.57	\$9.06	\$9.06

<b>Quantity Charge per HCF</b>						
Customer Class	Current Rate	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11
Commercial/Industrial (Low Strength)	\$2.73	\$4.04	\$5.66	\$7.86	\$10.85	\$10.85
Commercial/Industrial (Moderate Strength)	\$3.28	\$4.85	\$6.80	\$9.45	\$13.04	\$13.04
Industrial (High Strength)	\$6.09	\$9.01	\$12.62	\$17.54	\$24.20	\$24.20

Note:  
HCF=hundred cubic feet

Sources: City of Hollister; MuniFinancial



**STAFF REPORT  
CITY COUNCIL OR STUDY SESSION AGENDA**

**DATE:** February 21, 2008

**AGENDA ITEM:**

2

**STUDY SESSION DATE:** NA

**MEETING DATE:** February 25, 2008

- **TITLE OF ITEM:** A Resolution of the City Council of the City of Hollister Correcting Monthly Quantity Charges and Rates for the Sewer Services
- **BRIEF DESCRIPTION:** The Resolution will correct a clerical error contained in Table 1 of Resolution 2006-115 which set Service and Quantity Wastewater Charges.
- **STAFF RECOMMENDATION:** City Council approve the following motion: Adopt Resolution 2008- 20

**DEPARTMENT SUMMARY:** The City of Hollister Wastewater Rate Analysis Report("the Report") dated July 6, 2006 set forth wastewater revenue requirements, system costs and appropriate, fair, and equitable rates and rate structures in order to maintain the City's financial soundness and stability. Table 7 of the Report contained rates and charges that were to be adopted. On September 5, 2006, the City Council through Resolution 2006-115, adopted the Report in its entirety, including Table 7. However, the resolution also contained an independent table identified as Table 1 which contained a clerical error and that was not consistent with Table 7 from the Report. The correct rates as identified in Table 7 of the Report have been utilized in calculating all wastewater billings. The purpose of Resolution 2008 - is to correct this clerical error and resolve any inconsistency contained in Resolution 2006-115.

**FINANCIAL IMPACT:** Not Applicable

**CEQA STATUS:** Not Applicable

**DEPARTMENT:** City Manager

**CONTACT PERSON:** Clint G. Quilter

**PHONE NUMBER:** 636-4305

**THIS REPORT WAS REVIEWED BY THE CITY MANAGER AND CONCURS WITH  
THE STAFF RECOMMENDATION**

Clint G. Quilter, City Manager

RESOLUTION NO. 2006-157

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER AUTHORIZING THE EXECUTION OF A LOW INCOME SENIOR CITIZEN TWENTY-FIVE (25%) PERCENT DISCOUNT PROGRAM FOR CITY SEWER SERVICES COMMENCING DECEMBER 1, 2006.**

**WHEREAS**, in the ongoing operations and maintenance of the City's Water, Sewer, and Street Sweeping Enterprise Funds the City initially approved a Low Income Senior Citizen 25% Discount Program for Water Services in February, 2005; and

**WHEREAS**, the approved criteria for eligibility in the program specified that any Residential Customer at least sixty-two years of age and able to provide satisfactory evidence of receipt of telephone service under the Universal Lifeline Telephone Service Rate, or gas and electric service under the Pacific Gas and Electric California Alternative Rate for Energy (C.A.R.E.) Program would receive a 25% discount on the respective Customer's Bill; and

**WHEREAS**, on August 17, 2006; concurrent with the adoption of the City's increased Sewer Rates, the City approved the subsidizing of Low Income Senior Citizen Sewer Rates with General Fund appropriations; and

**WHEREAS**, this resolution sets forth the approval of a Low Income Senior Citizen Twenty Five Percent (25%) Discount Program with the same eligibility criteria approved under the Low Income Senior Citizen Discount Program for Water Services; and

**WHEREAS**, eligible Low Income Seniors already enrolled in the 25% Discount Program for Water Services will automatically be enrolled in the 25% Discount Program for Sewer Services with an effective date of December 1, 2006.

**NOW, THEREFORE, BE IT RESOLVED BY SAID COUNCIL THAT:**

The City Council of the City of Hollister hereby authorizes the execution of a Low Income Senior Citizen Twenty-five (25%) Percent Discount Program for City Sewer Services Commencing December 1, 2006.

**PASSED AND ADOPTED** at the City Council Meeting held this 20<sup>th</sup> day of November, 2006, by the following vote:

**AYES:** Council Members Emerson, Valdivia, Pike, Johnson and Mayor Scattini.

**NOES:** None.

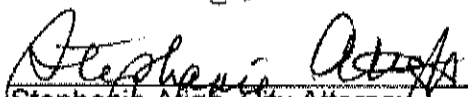
**ABSENT:** None.

**ATTEST:**

  
Geri Johnson, City Clerk

  
Robert Scattini, Mayor

**APPROVED AS TO FORM:**

  
Stephanie Aligh, City Attorney

**RESOLUTION 2006 - 115**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER  
ADOPTING RATES AND CHARGES FOR SEWER SERVICES**

Recitals: The City of Hollister operates and maintains a wastewater collection and treatment system ("sewer system"). In accordance with California Government Code Section 54344 and Hollister Municipal Code ("HMC") Chapter 13.04, the City is authorized to prescribe, revise and collect charges for services or facilities furnished by the City's sewer system. The City is proposing to upgrade and expand its wastewater treatment facility to be financed through the issuance of bonds. A rate study has been prepared by MuniFinancial entitled Wastewater Rate Report, July 2006, ("the Rate Study") a copy of which is on file in the Office of the City Clerk. The Rate Study recommends a phased increase in sewer rates and charges in an amount necessary to fund the proposed construction, and cover operating expenses, debt service, and a four month operating reserve ("upgrade and maintenance.") Notice of the proposed rate increase was mailed to all homeowners in the City of Hollister at least 45 days prior to the date of hearing in accordance with the requirements of California Constitution Article XIII D ("Proposition 218"). A Notice of Public Hearing was published two times in the Free Lance in accordance with the requirements of Government Code Section 54354.5. On September 5, 2006, the City Council conducted a public hearing and heard and considered public comment on the proposed rates. The City Council did not receive written protests prior to or during the hearing from a majority of the property owners potentially affected by the proposed changes. Based upon the information and recommendations set forth in the Rate Study, the City Council determines that an increase in sewer rates is necessary to fund the upgrade and expansion of the wastewater treatment plant, operation and maintenance of the sewer system, and the maintenance of a sufficient operating fund balance. The rate changes and increases are calculated to fairly apportion the costs based on the cost of serving the customer.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HOLLISTER  
FINDS AND RESOLVES AS FOLLOWS:**

**Section 1. Findings.** The City of Hollister, by and through its City Council, is authorized by state law and Municipal Code Chapter 13.04 to prescribe, revise and collect charges for services and facilities furnished by the City's sewer system. The revenues generated by the proposed rates and charges: 1) are not discriminatory or excessive; 2) will be sufficient to pay the current and anticipated expenses of maintenance and operation of the sewer system, including capital improvements, payment of system replacement costs and funded reserves for unscheduled expenses; 3) will be sufficient to honor other City obligations dependent upon sewer system revenues; 4) will be sufficient under Government Code Section 54515; and 5) will be

sufficient under the provisions or covenants of any outstanding revenue bonds payable from the revenues of the enterprise. The rates and charges set forth in Table 1 below, and the manner of their adoption, comply with the requirements and provisions of Proposition 218, Government Code Section 54300 et seq., and applicable state laws.

**Section 2. Wastewater Rates and Charges Adopted.**

A. The Wastewater Rate Report July 2006, on file in the Office of the City Clerk, is approved and adopted in its entirety.

B. The rates set forth in Table 1 are hereby approved and adopted.

**Section 3. Delinquent Payment.** In addition to any other remedies available in law or equity, any charge or fee for sewer shall have added to it a basic penalty charge not to exceed ten percent (10%) of the charge or fee that became delinquent. In addition a penalty of one-half of one percent ( $\frac{1}{2}\%$ ) per month for non-payment of the delinquent charge or fee and the basic penalty shall be assessed.

**Section 4. Real Property Lien.** Pursuant to Government Code Section 54354, and in addition to all other remedies available to the City in law or equity, delinquent charges and all penalties thereon, when recorded in accordance with Government Code Section 54355, shall constitute a lien upon the real property served.

**Section 5. Environmental Findings.** Pursuant to Title 14 of the California Code of Regulations, Section 15273, this Resolution is statutorily exempt from the requirements of CEQA in that the rates are for the purpose of meeting operating expenses, including employee wage rates and fringe benefits; purchasing or leasing supplies, equipment, or materials; meeting financial reserve needs and requirements; and obtaining funds for capital projects, necessary to maintain service within the existing service areas.

**Section 6. Effective Date.** This Resolution shall be effective upon adoption, and shall be operative commencing with all billings for sewer services rendered on or after the date of adoption of this Resolution.

**Section 7. Conflicting Resolutions Repealed.** All resolutions and parts thereof in conflict with the provisions of this Resolution are hereby repealed.

**Section 8. Judicial Review.** Any judicial review of this Resolution and the rates prescribed herein shall be by writ of mandate under Code of Civil Procedure 1085. Any action or proceeding seeking to attack, review, set aside, void or annul this Resolution shall be commenced within 90 days after the adoption of this Resolution.

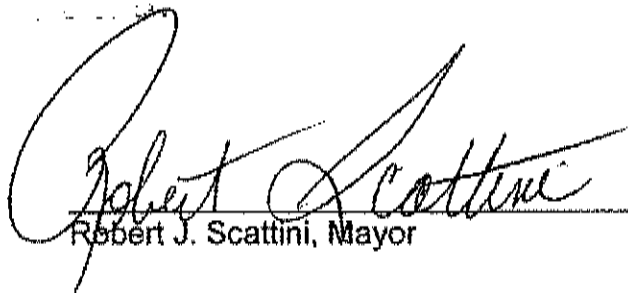
**PASSED AND ADOPTED** by the City Council of the City of Hollister at a regular meeting held on September 5, 2006, by the following vote:

AYES: Council Members Emerson, Valdivia, Pike, Johnson and Mayor Scattini.

NOES: None.

ABSTAIN: None.

ABSENT: None.

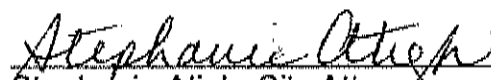
  
Robert J. Scattini, Mayor

ATTEST:

  
Geri Johnson, City Clerk

DUPLICATE OF ORIGINAL  
ON FILE IN THE  
OFFICE OF THE CITY CLERK  
CITY OF HOLLISTER

APPROVED AS TO FORM:

  
Stephanie Atigh, City Attorney

**TABLE 1**

<b>PROPOSED WASTEWATER RATES</b>						
Monthly Service Charge						
Customer Class	Current Rate	FY 06/07	FY 07/08	FY 08/09	FY9/10	FY 10/11
Single Family Residential	\$31.30	\$46.33	\$64.86	\$90.15	\$124.40	\$124.40
Multi-Family Residential	\$27.29	\$40.38	\$56.54	\$78.59	\$108.45	\$108.45
Mobile Homes	\$19.15	\$28.34	\$39.67	\$55.14	\$76.09	\$76.09
Commercial/Industrial (Low Strength)	\$14.73	\$21.80	\$30.52	\$42.43	\$58.55	\$58.55
Commercial/Industrial (Mod. Strength)	\$27.36	\$40.50	\$56.69	\$78.80	\$108.75	\$108.75
Industrial (High Strength)	\$106.44	\$157.53	\$220.54	\$306.54	\$423.03	\$423.03
Elementary & Middle Sch. (per Pupil)	\$1.14	\$1.69	\$2.36	\$3.29	\$4.53	\$4.53
High Schools (per Pupil)	\$1.14	\$1.69	\$2.36	\$3.29	\$4.53	\$4.53
Quantity Charge per Hundred Cubic Feet (HCF)						
Customer Class	Current Rate	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11
Commercial/Industrial (Low Strength)	\$1.37	\$2.02	\$2.83	\$3.93	\$5.43	\$5.43
Commercial/Industrial (Mod. Strength)	\$1.64	\$2.43	\$3.40	\$4.73	\$6.52	\$6.52
Industrial (High Strength)	\$3.05	\$4.51	\$6.31	\$8.77	\$12.10	\$12.10
Source: City of Hollister, MuniFinancial						

**NOTE: The rates in Table 1 are maximum rates and assume no development occurs in the City.**





**STAFF REPORT  
CITY COUNCIL OR STUDY SESSION AGENDA**

**DATE:** August 29, 2006  
**STUDY SESSION DATE:** NA

**AGENDA ITEM:** Public Hearing *CI, #5*  
**MEETING DATE:** September 5, 2006

- **TITLE OF ITEM:** A Resolution of the City Council of the City of Hollister Adopting Rates and Charges for Sewer Services and Establishing Billing and Collection Procedures.
- **BRIEF DESCRIPTION:** This Resolution approves an increase in sewer rates and charges and authorizes a lien procedure for nonpayment.
- **STAFF RECOMMENDATION:** Adopt Resolution No. 2006- 115

**DEPARTMENT SUMMARY:** MuniFinancial has completed a study of the City's sewer rates and charges. The report, entitled Wastewater Rate Analysis for the City of Hollister, July 6, 2006, ("Rate Study"), recommends a phased increase in sewer rates and charges. The increase is necessary to meet the costs of operation and maintaining the City's sewer system, and to provide an adequate revenue stream to finance the new wastewater system. Notice of the proposed rate increase was mailed to all homeowners in the City of Hollister at least 45 days prior to the dates of hearing in accordance with the requirements of California Constitution Article XIII D ("Proposition 218"). Notice was also published two times in the Free Lance as required by state law (Government Code Section 54354.5). Unless a majority protest is received, the City may proceed to adopt the increase based on the Rate Study and in the amounts set forth in Table 1 of the Resolution. In addition, as authorized by state law (Government Code Section 54354), the Resolution provides that delinquent charges and all penalties thereon, when recorded in accordance with Government Code Section 54355, shall constitute a lien upon the real property served.

**FINANCIAL IMPACT:** Neutral – Rate Increase will be consistent with additional costs

**DEPARTMENT:** City Manager

**CONTACT PERSON:** Clint Quilter

**PHONE NO.** (831) 636-4305

**REVIEWED AND APPROVED:**

*CQ*  
Clint G. Quilter, City Manager



# CITY OF HOLLISTER

375 Fifth Street • Hollister, CA 95023-3876

## PRESS RELEASE

August 22, 2006

### CITY COUNCIL TAKES ACTION TO SUBSIDIZE SEWER RATES FOR LOW-INCOME SENIORS.

At their meeting last night, the City of Hollister City Council agreed to subsidize sewer rates for low-income senior citizens and directed staff to prepare the necessary program documents. The program will provide a 25% rate discount to rate-payers 60 years of age or older who meet the criteria for PG&E's Lifeline rate program. Under this program, the initial rate for seniors would go from the current \$31.30/per month to \$34.74 per month. Below is a table comparing senior single family residential rates with standard single family residential rates assuming the moratorium is lifted and development takes place.

Customer Class	Current Rate	Fiscal Year 06/07	Fiscal Year 07/08	Fiscal Year 08/09	Fiscal Year 09/10	Fiscal Year 10/11
Senior Single Family Residential	\$31.30	\$34.74	\$48.64	\$51.08	\$53.63	\$53.63
Single Family Residential	\$31.30	\$46.33	\$64.86	\$68.10	\$71.50	\$71.50

The rates will be subsidized by with General Fund monies. Cost to the General Fund is estimated to not exceed the following:

YEAR	ANNUAL SUBSIDY
Fiscal Year 06/07	\$ 70,000
Fiscal Year 07/08	\$ 98,000
Fiscal Year 08/09	\$102,000
Subsequent years	\$107,000

City Attorney  
636-4306

City Clerk  
636-4304

City Manager  
636-4305

Finance  
636-4301

Management Services  
636-4324

Personnel  
636-4308

Fax (831) 636-4310 • TDD Line Only (831) 636-4319

**RESOLUTION 2006 - 115**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER  
ADOPTING RATES AND CHARGES FOR SEWER SERVICES**

**Recitals:** The City of Hollister operates and maintains a wastewater collection and treatment system ("sewer system"). In accordance with California Government Code Section 54344 and Hollister Municipal Code ("HMC") Chapter 13.04, the City is authorized to prescribe, revise and collect charges for services or facilities furnished by the City's sewer system. The City is proposing to upgrade and expand its wastewater treatment facility to be financed through the issuance of bonds. A rate study has been prepared by MuniFinancial entitled Wastewater Rate Report, July 2006, ("the Rate Study") a copy of which is on file in the Office of the City Clerk. The Rate Study recommends a phased increase in sewer rates and charges in an amount necessary to fund the proposed construction, and cover operating expenses, debt service, and a four month operating reserve ("upgrade and maintenance.") Notice of the proposed rate increase was mailed to all homeowners in the City of Hollister at least 45 days prior to the date of hearing in accordance with the requirements of California Constitution Article XIII D ("Proposition 218"). A Notice of Public Hearing was published two times in the Free Lance in accordance with the requirements of Government Code Section 54354.5. On September 5, 2006, the City Council conducted a public hearing and heard and considered public comment on the proposed rates. The City Council did not receive written protests prior to or during the hearing from a majority of the property owners potentially affected by the proposed changes. Based upon the information and recommendations set forth in the Rate Study, the City Council determines that an increase in sewer rates is necessary to fund the upgrade and expansion of the wastewater treatment plant, operation and maintenance of the sewer system, and the maintenance of a sufficient operating fund balance. The rate changes and increases are calculated to fairly apportion the costs based on the cost of serving the customer.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HOLLISTER  
FINDS AND RESOLVES AS FOLLOWS:**

**Section 1. Findings.** The City of Hollister, by and through its City Council, is authorized by state law and Municipal Code Chapter 13.04 to prescribe, revise and collect charges for services and facilities furnished by the City's sewer system. The revenues generated by the proposed rates and charges: 1) are not discriminatory or excessive; 2) will be sufficient to pay the current and anticipated expenses of maintenance and operation of the sewer system, including capital improvements, payment of system replacement costs and funded reserves for unscheduled expenses; 3) will be sufficient to honor other City obligations dependent upon sewer system revenues; 4) will be sufficient under Government Code Section 54515; and 5) will be

RESOLUTION 2006 -25

DUPLICATE OF ORIGINAL  
ON FILE IN THE  
OFFICE OF THE CITY CLERK  
CITY OF HOLLISTER

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER  
ADOPTING RATES AND CHARGES FOR SEWER SERVICES  
AND ESTABLISHING BILLING AND COLLECTION PROCEDURES**

**WHEREAS**, the City of Hollister operates and maintains a wastewater collection and treatment system ("sewer system") and;

**WHEREAS**, in accordance with California Government Code Section 54344 and Hollister Municipal Code ("HMC") Chapter 13.04, the City is authorized to prescribe, revise and collect charges for services or facilities furnished by the City's sewer system; and

**WHEREAS**, a rate study has been prepared by MuniFinancial entitled Wastewater Rate Analysis for the City of Hollister, December 2005, ("the Report"), a copy of which is on file in the Office of the City Clerk; and

**WHEREAS**, the Report recommends a phased increase in sewer rates and charges to adequately fund proper operation and maintenance of the system as well as preserve the financial integrity of the utility and the fund; and

**WHEREAS**, notice of the proposed rate increase was mailed to all homeowners in the City of Hollister at least 45 days prior to the date of hearing in accordance with the requirements of California Constitution Article XIIIID ("Proposition 218"); and

**WHEREAS**, a Notice of Public Hearing was published two times in the Free Lance in accordance with the requirements of Government Code Section 54354.5; and

**WHEREAS**, on March 6, 2006, the City Council conducted a public hearing and heard and considered public comment on the proposed rates and billing procedures; and

**WHEREAS**, the City Council did not receive written protests prior to or during the hearing from a majority of the property owners potentially affected by the proposed changes; and

**WHEREAS**, based upon the information and recommendations set forth in the Report, the City Council determines that an increase in sewer rates is necessary to meet the rising costs of providing sewer service and to adequately fund existing bond obligations; and

**WHEREAS**, the City Council has determined that the rate changes and increases fairly apportion the costs based on the cost of serving the customer.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HOLLISTER FINDS AND RESOLVES AS FOLLOWS:**

**Section 1. Findings.** The Revenue Bond Law of 1941 at California Government Code Section 54300 et seq., ("the Revenue Bond Law") and HMC Chapter 13.04 empower the City of Hollister, by and through its City Council, to prescribe, revise and collect charges for services and facilities furnished by the City's sewer system. The revenues generated by the proposed rates and charges: 1) are not discriminatory or excessive; 2) will be sufficient to pay the current expenses of maintenance and operation of the sewer system, including payment of system replacement costs and funded reserves for unscheduled expenses; 3) will be sufficient to honor other City obligations dependent upon sewer system revenues; 4) will be sufficient under Government Code Section 54515; and 5) will be sufficient under the provisions or covenants of any outstanding revenue bonds payable from the revenues of the enterprise. The rates and charges set forth in Table 1 below, and the manner of their adoption, comply with the provisions of the Revenue Bond Law of 1941 and the requirements and provisions of all other applicable laws.

**Section 2. Wastewater Rates and Charges Adopted.**

A. The Wastewater Rate Analysis for the City of Hollister, December 2005, on file in the Office of the City Clerk, is hereby approved and adopted in its entirety.

B. The rates set forth in Table 1 are hereby approved and adopted.

<b>TABLE 1.</b>				
<b>* FY 2005-06 Current and Proposed Sewer Rate Schedule</b>				
<b>Customer Class</b>	<b>Current Rate</b>		<b>Proposed Rate</b>	
	<b>Bimonthly Service Charge</b>	<b>Quantity Charge per HCF</b>	<b>Bimonthly Service Charge</b>	<b>Quantity Charge per HCF</b>
Single-family Residential (per unit)	\$49.50	\$ -	\$62.60	\$ -
Multi-family Residential (per unit)	\$45.00	\$ -	\$54.57	\$ -
Mobile Homes (per unit)	\$31.50	\$ -	\$38.29	\$ -
Commercial/Industrial (Low Strength)	\$10.50 to 16.40	\$1.50 to \$3.00	\$29.46	\$ 2.73
Commercial/Industrial (Moderate Strength)	\$10.50 to 16.40	\$1.65 to \$2.75	\$54.72	\$ 3.28
Industrial (High Strength)	\$10.50 to 16.40	\$2.80 to \$3.10	\$212.87	\$ 6.09
Elem. & Middle Schools	\$10.50	\$ 1.85	\$2.28 per student	
High School	\$980.42	\$ -	\$2.28 per student	
<b>* Beginning in FY2006-2007, a cost of living increase of 2% will be applied to the rates for 3 consecutive fiscal years</b>				

**Section 3. Delinquent Payment.** In addition to any other remedies available in law or equity, any charge or fee for sewer services that becomes delinquent shall have added to it a basic penalty charge equal to ten percent (10%) of the charge or fee that became delinquent. In addition a penalty of one-half of one percent (½%) per month for non-payment of the delinquent charge or fee and the basic penalty shall be assessed.

**Section 4. Real Property Lien.** Pursuant to Government Code Section 54354, and in addition to all other remedies available to the City in law or equity, delinquent charges and all penalties thereon, when recorded in accordance with Government Code Section 54355, shall constitute a lien upon the real property served.

**Section 5. Environmental Findings.** Pursuant to Title 14 of the California Code of Regulations, Section 15273, this Resolution is statutorily exempt from the requirements of the California Environmental Quality Act (CEQA) in that it deals with the establishment of rates and charges by the City which the City finds are for the purpose of (1) meeting expenses for the maintenance and operation of the sewer system, including employee wage rates and fringe benefits; (2) purchasing or leasing supplies, equipment, or materials; and (3) meeting financial reserve needs and requirements.

**Section 6. Effective Date.** This Resolution shall be effective upon adoption, and shall be operative commencing with all billings rendered on or after April 1, 2006, and shall apply to all sewer services rendered included in such billings which were rendered on or after the date of adoption of this Resolution.

**Section 7. Conflicting Resolutions Repealed.** All resolutions and parts thereof in conflict with the provisions of this Resolution are hereby repealed.

**Judicial Review.** Any judicial review of this Resolution and the rates prescribed herein shall be by writ of mandate under Code of Civil Procedure 1085. Any action or proceeding seeking to attack, review, set aside, void or annul this Resolution shall be commenced within 90 days after the adoption of this Resolution.

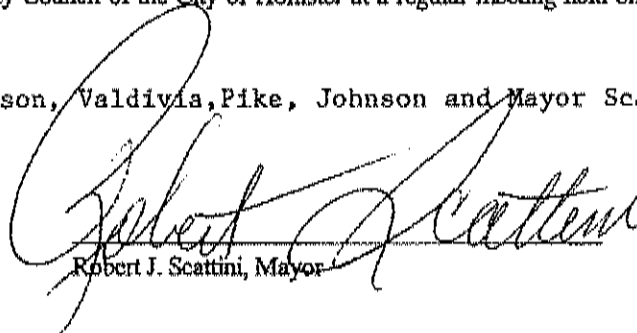
**PASSED AND ADOPTED** by the City Council of the City of Hollister at a regular meeting held on March 6, 2006, by the following vote:

AYES: Council Members Emerson, Valdivia, Pike, Johnson and Mayor Scattini.

NOES: None.

ABSTAIN: None.

ABSENT: None.



Robert J. Scattini, Mayor

ATTEST:



Geri Johnson, City Clerk

DUPLICATE OF ORIGINAL  
ON FILE IN THE  
OFFICE OF THE CITY CLERK  
CITY OF HOLLISTER

APPROVED AS TO FORM:



Elaine M. Cass, City Attorney



**STAFF REPORT  
CITY COUNCIL OR STUDY SESSION AGENDA**

**DATE:** February 27, 2006

**AGENDA ITEM:**

*CL, #5*

**STUDY SESSION DATE:** NA

**MEETING DATE:** March 6, 2006

- **TITLE OF ITEM:** A Resolution Of The City Council Of The City Of Hollister Adopting Rates And Charges For Sewer Services And Establishing Billing And Collection Procedures
- **BRIEF DESCRIPTION:** This Resolution approves an increase in sewer rates and charges and authorizes a lien procedure for nonpayment.
- **STAFF RECOMMENDATION:** Approval

**DEPARTMENT SUMMARY:** MuniFinancial has completed a study of the City's sewer rates and charges. The report, entitled Wastewater Rate Analysis for the City of Hollister, December 2005, ("Rate Study"), recommends a phased increase in sewer rates and charges. The increase is necessary to meet the rising costs of operating and maintaining the City's sewer system, and to adequately fund existing bond obligations. Notice of the proposed rate increase was mailed to all homeowners in the City of Hollister at least 45 days prior to the date of hearing in accordance with the requirements of California Constitution Article XIIIID ("Proposition 218"). Notice was also published two times in the Free Lance as required by state law (Government Code Section 54354.5). Unless a majority protest is received, the City may proceed to adopt the increase based on the Rate Study and in the amounts set forth in Table 1 of the Resolution. In addition, as authorized by state law (Government Code Section 54354), the Resolution provides that delinquent charges and all penalties thereon, when recorded in accordance with Government Code Section 54355, shall constitute a lien upon the real property served.

**FINANCIAL IMPACT:** Positive

**DEPARTMENT:** City Manager

**CONTACT PERSON:** Clint Quilter

**PHONE NUMBER:** 636-4305

**REVIEWED AND APPROVED:**

---

Clint Quilter, City Manager

## **PUBLIC NOTICE**

**NOTICE IS HEREBY GIVEN** that the City Council of the City of Hollister will hold a Public Hearing on Monday, March 6, 2006, at 6:30 p.m., or as soon thereafter as may be heard, in the City Council Chambers, City Hall, 375 Fifth Street, Hollister, California, to consider a Resolution Adopting Rates and Charges for Sewer Services and Establishing Billing and Collection Procedures. The proposed rates are based on a study entitled "Wastewater Rate Analysis for the City of Hollister, December 2005," a copy of which is available for public inspection in the Office of the City Clerk. Any person interested, including all persons owning property in the City of Hollister, may appear and be heard as to whether the proposed rates and charges are discriminatory or excessive, or will not be sufficient under Government Code Section 54515, or will not comply with any other provision of the Revenue Bond Law of 1941, or will not be sufficient under the provisions or covenants of any City of Hollister outstanding revenue bonds payable from the revenues of the sewer enterprise, or on any other matter relating to the Resolution or proposed rates.

CITY OF HOLLISTER

By Geri Johnson, City Clerk

Dated: February 9, 2006

Publish: February 17 and 24, 2006

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER ADOPTING RATES AND CHARGES FOR SEWER SERVICES AND ESTABLISHING BILLING AND COLLECTION PROCEDURES**

**WHEREAS**, the City of Hollister operates and maintains a wastewater collection and treatment system ("sewer system") and;

**WHEREAS**, in accordance with California Government Code Section 54344 and Hollister Municipal Code ("HMC") Chapter 13.04, the City is authorized to prescribe, revise and collect charges for services or facilities furnished by the City's sewer system; and

**WHEREAS**, a rate study has been prepared by MuniFinancial entitled Wastewater Rate Analysis for the City of Hollister, December 2005, ("the Report"), a copy of which is on file in the Office of the City Clerk; and

**WHEREAS**, the Report recommends a phased increase in sewer rates and charges to adequately fund proper operation and maintenance of the system as well as preserve the financial integrity of the utility and the fund; and

**WHEREAS**, notice of the proposed rate increase was mailed to all homeowners in the City of Hollister at least 45 days prior to the date of hearing in accordance with the requirements of California Constitution Article XIID ("Proposition 218"); and

**WHEREAS**, a Notice of Public Hearing was published two times in the Free Lance in accordance with the requirements of Government Code Section 54354.5; and

**WHEREAS**, on March 6, 2006, the City Council conducted a public hearing and heard and considered public comment on the proposed rates and billing procedures; and

**WHEREAS**, the City Council did not receive written protests prior to or during the hearing from a majority of the property owners potentially affected by the proposed changes; and

**WHEREAS**, based upon the information and recommendations set forth in the Report, the City Council determines that an increase in sewer rates is necessary to meet the rising costs of providing sewer service and to adequately fund existing bond obligations; and

**WHEREAS**, the City Council has determined that the rate changes and increases fairly apportion the costs based on the cost of serving the customer.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HOLLISTER FINDS AND RESOLVES AS FOLLOWS:**

**Section 1. Findings.** The Revenue Bond Law of 1941 at California Government Code Section 54300 et seq., ("the Revenue Bond Law") and HMC Chapter 13.04 empower the City of Hollister, by and through its City Council, to prescribe, revise and collect charges for services and facilities furnished by the City's sewer system. The revenues generated by the proposed rates and charges: 1) are not discriminatory or excessive; 2) will be sufficient to pay the current expenses of maintenance and operation of the sewer system, including payment of system replacement costs and funded reserves for unscheduled expenses; 3) will be sufficient to honor other City obligations dependent upon sewer system revenues; 4) will be sufficient under Government Code Section 54515; and 5) will be sufficient under the provisions or



# **WASTEWATER RATE ANALYSIS FOR THE CITY OF HOLLISTER**

**DECEMBER 29, 2005**



**MuniFinancial**  
A WILLDAN COMPANY

***Corporate Office***

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## **EXECUTIVE SUMMARY**

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The study of wastewater rates was conducted for the City of Hollister to determine revenue requirements, costs of services, appropriate, fair and equitable rates and rate structure, and to maintain its wastewater utility on a financially sound and stable basis over the next five fiscal years. The study was conducted using historical and projected data on operating and non-operating expenses, operating and non-operating revenues, and water consumption data provided by the City.

The City's existing wastewater rates have not been adjusted significantly for many years. During that time, inflationary pressures to labor and materials and the rising cost of wastewater collection, transmission and treatment costs have put a strain on the enterprise's ability to match revenues with these increasing costs. In addition, the City is considering the refunding of the current Series 1993 bonds to streamline the sources of debt service payments in the future.

The City retained MuniFinancial to prepare a wastewater rate analysis that will include a new wastewater rate schedule that meets current and near-term projected system revenue requirements and is easier to administer than the current structure.

### **Findings**

This section presents the findings of the wastewater rate analysis.

1. The wastewater enterprise is faced with increases in its financial obligations. Estimated operating and non-operating expenses, plus debt service, are projected to increase from \$3.5 million in FY 2004-2005 to \$4.4 million in FY 2009-2010, a 26 percent increase during the 5-year period.
2. Due to increasing costs and no corresponding rate adjustments, the enterprise's operating fund balance was depleted at the end of FY 2004-2005. If rates are not adjusted to meet revenue requirements, the enterprise will face a deficit situation. Based on the recommended revenue increases in this study, the enterprise's reserve fund balance is projected to be approximately \$3.2 million by the end of FY 2009-2010. This positive fund balance is recommended as a contingency for unforeseen utility emergencies and future capital needs should they arise.
3. Existing rates do not fund depreciation.
4. Existing rates do not provide enough net operating income to satisfy the required 1.50 debt service coverage ratio required by the proposed refunding bonds.

5. The utility has many customer classes that present administrative challenges for billing and collection.

### Recommendations

The findings of this wastewater rate analysis suggest the City adopt the following recommendations:

1. Adopt the proposed wastewater rate structure presented in the table below for FY 2005-2006. The proposed rate structure adequately provides for ongoing costs and allows for payment of debt service on the proposed revenue bonds and allows for funded reserves for unscheduled expenses.

### City of Hollister FY 2005-06 Proposed Sewer Rate Schedule

Customer Class	Bimonthly Service Charge	Quantity Charge per HCF
Single-family Residential (per unit)	\$ 62.60	\$ -
Multi-family Residential (per unit)	\$ 54.57	\$ -
Mobile Homes (per unit)	\$ 38.29	\$ -
Commercial/Industrial (Low Strength)	\$ 29.46	\$ 2.73
Commercial/Industrial (Moderate Strength)	\$ 54.72	\$ 3.28
Industrial (High Strength)	\$ 212.87	\$ 6.09
Elem. & Middle Schools	\$ 2.28	per student
High School	\$ 2.28	per student

2. Increase the FY 2005-2006 rates by 2.0 percent in the next three fiscal years (2006-2007, 2007-2008, and 2008-2009) to keep utility revenues on pace with rising costs and to maintain debt service coverage ratio of 1.50.
3. Based on a strict cost of service analysis, each customer class served by the wastewater utility would have a separate and distinct bi-monthly service charge and separate consumption charges for commercial and industrial dischargers (residential users would not be charged for consumption). Schools would be billed on a per student charge only. The proposed rate structure would collapse many of the current commercial and industrial customer classes into three categories:

- Commercial/Industrial (Low Strength)
  - Commercial/Industrial (Moderate Strength)
  - Industrial (High Strength)
4. Include depreciation as a non-operating expense to be funded through the proposed rate structure.

## **INTRODUCTION**

---

This report documents the results of a Wastewater Rate Study for the City of Hollister. The primary purpose of this study is to develop a wastewater rate structure that will adequately fund the annual operations of the wastewater system. The rates developed will assist in achieving equity in deriving revenue requirements from each class of customers served by the Hollister wastewater utility.

## **ANNUAL REVENUE REQUIREMENTS**

---

As in most cities, the City of Hollister wastewater utility is operated on an enterprise basis with expenses and revenues accounted for separately from the City's general and other funds. The City's wastewater enterprise fund must receive sufficient total revenue to ensure proper operation and maintenance of the system as well as preserve the financial integrity of the utility and the fund. Adequacy of wastewater revenues can be measured by comparing the utility's revenue requirements to be met from the wastewater rates it charges to its customers.

### **Approaches to Determining Revenue Requirements**

To develop adequate revenues from a system of wastewater rates, the annual revenue requirements of the Wastewater Utility must be determined. There are two commonly accepted bases for determining annual revenue requirements in order to develop a financially sound wastewater rate structure. These approaches are the "cash needs" approach and the "utility" approach. For the City of Hollister wastewater study, we have employed the cash needs approach.

The "cash needs" basis is typically used by municipally owned wastewater utilities when establishing rates for their customers. Under this approach, the basic revenue-requirement components include:

- Operating and maintenance (O&M) expenses;
- Debt service costs (principal and interest on wastewater utility-related debt instruments);
- Capital expenditures funded directly from current revenues or accruals on a pay-as-you-go basis; and,
- Other elements such as interdepartmental expenses (cost allocation), and interest earnings (considered as a credit to the expenses).

The "utility" basis for determining annual revenue requirements is typically used by regulated investor-owned utilities and regulated municipal utilities. Items normally included in annual revenue requirements based on this approach include:

- Operating and maintenance (O&M) expenses;
- Depreciation expense; and,
- Fair rate of return on the rate base.

## **Current and Future Revenue Requirements**

The annual revenue requirements associated with the utility include operating and non-operating expenses. These expenses and charges are offset by interest earnings, fines and forfeitures, or other miscellaneous income, while the remaining net revenues are recovered via customer rates and charges.

The City prepares an annual budget for the wastewater utility. This budget itemizes all the expenditures for each fiscal year. The expenses include collection, transmission and treatment costs of the sewer discharge for the utility customers, as well as other engineering, information systems, and depreciation of system assets. Debt service is also included this analysis. Currently, the system ratepayers are responsible for the repayment of principal and interest costs associated with the Series 1993 Revenue Bonds. The City is considering the issuance new revenue bonds to retire the existing Series 1993 bonds and streamline the debt service payment process.

### ***Historical Revenues and Expenses***

Base year income and expense data for the Wastewater System were obtained for fiscal years 2004-2005 and 2005-2006 using the City's respective Wastewater System budget and audited financial statements ending June 30, 2004 and June 30, 2005. This analysis is not a restatement of the City's audits or budgets, but does rely on these data sources.

Our data review revealed that the Wastewater System has an annual negative net income position due to increasing transmission and treatment costs, increased system replacement costs and normal inflationary pressures placed on operating and non-operating expenses since the last rate analysis was performed. The result of continued operating losses is a reduction in the utility's operating fund balance. This fund balance was depleted at the end of FY 2004-2005.

In summary, the wastewater utility's current financial condition is one in which revenues have not kept up with rising costs. Due to these increasing expenses, the current revenues are insufficient to provide for positive net income for utility operations and debt service coverage requirements.

## **Future Revenue Requirements**

An evaluation of future revenue requirements is focused in the projection of three specific areas. These areas are customer growth and fluctuations in operating and non-operating expenditures. The following sections discuss the impact of these factors on the City wastewater utility revenue requirements.

### ***Customer Base***

To evaluate future revenue requirements, a customer growth (future service connections) assessment was prepared. Customer growth affects the revenue



requirements of the City's wastewater utility in two ways. First, it increases the customer base that provides additional accounts subject to fixed and variable user charges. Second, it simultaneously increases the costs of wastewater collection and treatment. Because the revenue associated with growth exceeds the cost of providing wastewater services due to economies of scale, applying low or no growth factors supports a conservative assessment of future utility revenue requirements. Because the City currently has a building moratorium, we estimated a 0.5% customer growth factor throughout the planning period of the rate model (a period of 5 fiscal years). This percentage figure was obtained from the City's Planning Department. These projection figures are applied in the revenue requirements analysis of this section.

Table 1 illustrates the current accounts within the system categorized by customer class. The customer class categories are suggested as part of the wastewater rate analysis. Currently, the utility has several additional classes that appear to be cumbersome from an administration perspective.

In addition to the number of connections served by the utility, we have calculated an approximate level of annual wastewater effluent discharged into the system for treatment. To accomplish this task, we used water consumption data provided by the City and typical flow rates per customer in each customer class. The flow rate figures, as provided by the State Water Resources Control Board (SWRCB), are typical flow patterns for those customers based on extensive surveying and flow monitoring report data gathered by SWRCB. Because all water consumed does not translate to all water discharged into the sewer system, it is common practice in the rate setting industry to place an adjustment factor to water use to approximate wastewater discharge. One of the more appropriate means of accomplishing this objective is to apply a 90 percent factor to a customer class' winter water use. Winter water consumption is used because landscaping irrigation is typically at its lowest period during this time of year. Applying the 90 percent factor allows for a 10 percent irrigation component during the winter months. Table 2 presents the estimated sewer flow to the Hollister wastewater system on an annual basis using adjusted water use data and SWRCB flow figures.

**Table 1. Number of Customer Accounts**

Customer Class	Total	Hollister Sewer Code(s)
Single-family Residential	7,900 dwelling units	SB
Multi-family Residential	1,801 dwelling units	SC
Mobile Homes	250 dwelling units	SD
		330, 340, 350, 360, 400, 410, 440, 500, 510
Commercial/Industrial (Low Strength)	275 accounts	310, 370, 380, 390, 430
Commercial/Industrial (Moderate Strength)	51 accounts	420, 470, 480, 490
Industrial (High Strength)	48 accounts	320 (6,280 students)
Elem. & Middle Schools	8 accounts	HS (2,700 students)
High School	1 account	

Sources: City of Hollister.

**Table 2. Estimated Sewer Discharge by Customer Class**

Customer Class	Estimated Annual Sewer Discharge (hcf)
Single-family Residential	925,187
Multi-family Residential	188,948
Mobile Homes	19,031
Commercial/Industrial (Low Strength)	101,028
Commercial/Industrial (Moderate Strength)	28,968
Industrial (High Strength)	57,012
Elem. & Middle Schools	30,225
High School	12,995
Total (hcf)	1,363,394
Total (mgd)	2.79

Sources: City of Hollister; MuniFinancial.

### ***Financial Condition***

In an adequately financed utility, net operating income should be positive to ensure that day-to-day operating expenses are always provided from operating revenues. Currently, the City is generating a sufficient level of operating revenues to meet operating expenses. However, the current revenues are insufficient to meet the annual debt service and depreciation expenses of the utility, plus the required debt service coverage ratio. Because these costs are significant, the

current net income of the utility is not sufficient. This condition will worsen as operating costs continue to rise and if new debt is issued for a proposed treatment plant expansion.

A five-year projection of revenue requirements and utility financial performance, at present rates and required rates, is provided in Table 3. This table escalates operating and non-operating expenses into future dollars based on assumed cost increases and accommodates the phasing of anticipated bond financing through revenue bonds affiliated with the new wastewater treatment plant.

Based on historical inflation figures, we assumed a 3 percent growth rate in operating expenses and equipment replacement and contingencies. System replacement costs are based on the City's audited financial reports that include the depreciation costs attributed to the wastewater system. A revenue projection reflecting staged wastewater utility rate increases is reflected in Table 3.

**Table 3. Wastewater Utility Revenue Requirements**

Description	Base Year (FY 04/05)	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10
<b>Operating Revenues</b>						
Charges for Service	\$ 3,542,076	\$ 3,559,786	\$ 3,577,585	\$ 3,595,473	\$ 3,613,451	\$ 3,631,518
Total Operating Revenues	\$ 3,542,076	\$ 3,559,786	\$ 3,577,585	\$ 3,595,473	\$ 3,613,451	\$ 3,631,518
<b>Additional Revenue Required</b>						
Year	Revenue Increase					
FY 05/06	29%	\$ -	\$ 1,021,659	\$ 1,026,767	\$ 1,031,901	\$ 1,037,060
FY 06/07	2%	-	-	92,087	92,547	93,010
FY 07/08	2%	-	-	-	94,398	94,870
FY 08/09	2%	-	-	-	-	96,788
FY 09/10	0%	-	-	-	-	-
Total Additional System Operating Revenue Generated from Rate		\$ -	\$ 1,021,659	\$ 1,118,854	\$ 1,218,847	\$ 1,321,709
Total Operating Revenues		\$ 3,542,076	\$ 4,581,445	\$ 4,696,439	\$ 4,814,320	\$ 4,955,835
<b>Applications of Funds</b>						
<b>Operating Expenditures</b>						
City Manager	\$ 888	\$ 1,000	1,030	1,061	1,093	1,126
Finance	75,178	69,459	71,543	73,689	75,900	78,177
Information Systems	39,870	44,300	45,829	46,998	48,408	49,860
Engineering	71,871	102,888	105,769	108,942	112,210	115,576
Sewer Domestic	893,569	1,086,293	1,118,882	1,152,448	1,187,022	1,222,632
Sewer Industrial	234,997	274,578	282,815	291,300	300,039	309,040
Sewer Collection	875,991	1,189,055	1,224,727	1,261,468	1,299,313	1,338,292
Total Operating Expenses	\$ 2,192,362	\$ 2,767,373	\$ 2,850,394	\$ 2,935,906	\$ 3,023,983	\$ 3,114,703
Net Operating Income (Loss)	\$ 1,349,714	\$ 1,814,072	\$ 1,846,045	\$ 1,878,414	\$ 1,911,176	\$ 1,845,133
<b>Debt Service</b>						
Series 1993 Bonds <sup>1</sup>	\$ 1,197,608	\$ -	\$ -	\$ -	\$ -	\$ -
Proposed Refunding Bonds	-	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000
Total Debt Service	\$ 1,197,608	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000
<b>Debt Service Coverage (Net Operating Income / Total Debt Service) <sup>2</sup></b>						
	N/A	1.50	1.53	1.55	1.58	1.52
<b>Non-Operating Income</b>						
Interest	\$ 26,351	\$ 26,351	\$ 26,351	\$ 26,351	\$ 26,351	\$ 26,351
Intergovernmental	306,413	-	-	-	-	-
Transfers In	82,119	62,119	62,119	62,119	-	-
Total Non-Operating Income	\$ 394,883	\$ 88,470	\$ 88,470	\$ 88,470	\$ 26,351	\$ 26,351
<b>Non-Operating Expenses</b>						
Depreciation	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290
Total Non-Operating Expenses	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290
Net Income (Loss)	\$ 464,899	\$ 610,252	\$ 642,225	\$ 674,594	\$ 645,237	\$ 579,194
Beginning Operating Reserve Fund Balance	-	-	610,252	1,252,477	1,927,071	2,572,308
Ending Operating Reserve Fund Balance	-	610,252	1,252,477	1,927,071	2,572,308	3,151,502

**Notes:**

Revenue sources are projected to increase 0.5 percent annually. Operating expenses are assumed to increase 3.0 percent per year.

FY 05/06 Operating Expenditures based on City's trial balance sheet as of 12/6/05

Rate model assumes rate increase becomes effective April 1, 2006.

1. FY 04/05 Series 1993 Bonds debt service includes principal and interest from several enterprise funds.

2. Per Stone and Youngberg, the required debt service coverage ratio on the proposed Refunding Bonds is 150 percent or 1.50.

Sources: City of Hollister; Stone and Youngberg; MuniFinancial.

## **ALLOCATION OF WASTEWATER COSTS**

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Utility rate studies are performed to allocate costs of providing service to user classes and ensure that rates are equitable and not unduly discriminatory to customer classes. The total cost of serving each customer class is determined by distributing each of the utility cost components among the user classes based upon the respective service requirements of each customer class. Therefore, a true cost of service rate study enables a wastewater utility to adopt rates based on the true costs to each user class.

The purposes of this wastewater utility cost of service study include:

- Allocation of the costs of service to existing user classes.
- Determination of rates of return for the City's wastewater customer classes and measurement of how well the revenues received from each user class recover the costs allocated to that class.
- Derivation of unit costs to support the development of wastewater rates.

### **Cost of Service Procedure**

A cost of service analysis converts enterprise-related financing documents to costs incurred by user classes for which rates can be developed. The cost of service study for the City of Hollister is performed in three basic steps.

The first step is called functionalization. Functionalization categorizes cost data in terms of functions performed by a wastewater utility system. The functions identified in this study include net revenue requirements, system replacement, debt service and equipment replacement and contingencies.

The second step classifies operating and non-operating expenses of the utility to the cost components of flow and strength of wastewater effluent. The cost components are defined as follows:

- **Volume Costs:** Volume or flow related costs vary with the discharge of wastewater by users over a specified period of time, typically a year.
- **Strength Costs:** Strength costs vary with the quality of wastewater discharged as measure by biochemical oxygen demand (BOD) and suspended solids (SS) contents of the discharged sewage.

The final step in this analysis allocates costs of service to each customer class. This step is accomplished through the development of volume and strength related allocation factors for each customer class.

### ***Definition of User Class***

A user class, when properly defined, is one whose members have:

- Similar wastewater discharge requirements;
- Similar wastewater strength characteristics; and
- Similar purposes for water use (domestic, commercial, industrial, and schools).

Residential users have similar annual wastewater discharge characteristics that differ from other non-residential wastewater customers. Flow variations are significant for residential customers because of the landscape irrigation factor, however volume and strength of sewage remains fairly consistent. Some rate structures differentiate volume and strength characteristics between single-family and multi-family residential customers because of the smaller per unit dwelling capacities. For the Hollister rate structure we consider multi-family residential and mobile home customer volume discharge to be 90 percent of single-family discharge.

Among general service users, however, a great deal of variation in wastewater discharge patterns exists. The primary variation is in the user class sewage strength. For the City of Hollister system, we have combined several existing customer classes into a smaller number of customer classes that have similar discharge characteristics. These classes are Commercial/Industrial (Low Strength), Commercial/Industrial (Moderate Strength), Industrial (High Strength), Elementary Schools and High Schools. To group these categories, we used State Water Resources Control Board and Los Angeles County Sanitation District discharge characteristic data. Because both agencies have conducted significant flow and strength monitoring tests on a wide variety of customer classes, we employed their customer data.

### **Cost Classification Methodology**

For compliance with State guidelines, a wastewater utility is required to utilize a cost allocation approach that allocates costs into the treatment parameters of flow and strength. These costs are to be allocated in proportion to the percentage that each cost parameter represents. When divided by the wastewater loadings of each user class, unit costs of service are obtained. All costs incurred by a wastewater utility system can be allocated to one or more costs parameters. The basis for allocation of each cost item between flow, BOD and SS is based on industry experience and Environmental Protection Agency treatment parameter data. Table 4 presents the functionalization of revenue requirements for FY 2005-2006 rate structure development. Table 5 illustrates the loading and unit rate calculations for FY 2005-2006. Table 6 presents the final allocation of costs to each customer class based on the results of Table 5.

**Table 4. Functionalized FY 2005/2006 Wastewater Utility Revenue Requirements**

Description	Functionalized Costs				Basis of Classification			
	FY 05/06	Flow	BOD	SS				
<b>Expenses</b>								
<u>Current Expenditures (Fund 660)</u>								
City Manager	\$ 1,000	1,000	-	-	100%	Flow	0%	BOD 0% SS
Finance	69,459	69,459	-	-	100%	Flow	0%	BOD 0% SS
Information Systems	44,300	44,300	-	-	100%	Flow	0%	BOD 0% SS
Engineering	102,688	102,688	-	-	100%	Flow	0%	BOD 0% SS
Sewer Domestic	1,088,293	890,273	98,010	98,010	85%	Flow	8%	BOD 8% SS
Sewer Industrial	274,578	233,391	20,593	20,593	85%	Flow	8%	BOD 8% SS
Sewer Collection	1,189,055	1,010,697	89,179	89,179	85%	Flow	8%	BOD 8% SS
Total Operating Expenses	\$ 2,767,373	\$ 2,351,808	\$ 207,782	\$ 207,782				
<u>Debt Service</u>								
Proposed Refunding Bonds	\$ 1,210,000	\$ 399,892	\$ 405,054	\$ 405,054	33%	Flow	33%	BOD 33% SS
Total Debt Service	\$ 1,210,000	\$ 399,892	\$ 405,054	\$ 405,054				
<u>Non-Operating Expenses</u>								
Depreciation	\$ 82,290	\$ 82,290	\$ -	\$ -	100%	Flow	0%	BOD 0% SS
Total Non-Operating Expenses	\$ 82,290	\$ 82,290	\$ -	\$ -				
<u>Additional Revenue Required</u>								
Fund Balance and Coverage Requirements	\$ 521,782	\$ 364,248	\$ 78,767	\$ 78,767	69.8%	Flow	15.1%	BOD 15.1% SS
Wastewater Utility Gross Revenue Requirement	\$ 4,581,445	\$ 3,198,239	\$ 691,603	\$ 691,603				

1. Additional revenue required to meet debt service coverage ratio of 1.50 and to replenish negative operating fund balance in utility fund. Line item is allocated based on composite percentages of expenses.

Sources: Table 3; City of Hollister; MuniFinancial.

**Table 5. Loading and Unit Rate Calculations, FY 2005/06**

Customer Class	Projected FY2005/06 Discharges to the Sewer System (hcf)	Concentration		Calculated Loading	
		BOD (mg/l)	SS (mg/l)	BOD (lb/yr)	SS (lb/yr)
Single-family Residential	925,187	200	200	1,154,323	1,154,323
Multi-family Residential	188,948	180	180	212,170	212,170
Mobile Homes	19,031	156	156	18,520	18,520
Commercial/Industrial (Low Strength)	101,028	200	200	126,049	126,049
Commercial/Industrial (Moderate Strength)	28,968	350	350	63,249	63,249
Industrial (High Strength)	57,012	1,330	925	473,027	328,985
Elem. & Middle Schools	30,225	130	100	24,512	18,855
High School	12,995	130	100	10,538	8,106
Total	1,363,394			2,082,388	1,930,257
Allocated Revenue Requirement	\$ 3,198,239			\$ 691,603	\$ 691,603
Unit Rates	\$ 2.35			\$ 0.33	\$ 0.36

Sources: Table 2; City of Hollister; SWRCB; LACSD.



**Table 6. Allocation of Revenue Requirement to Customer Classes, FY 2005/06**

Customer Class	Projected FY2005/06 Discharges to the Sewer System (hcf)			Calculated Loading	
				BOD (lb/yr)	SS (lb/yr)
Single-family Residential	925,187	1,154,323	1,154,323		
Multi-family Residential	188,948	212,170	212,170		
Mobile Homes	19,031	18,520	18,520		
Commercial/Industrial (Low Strength)	101,028	126,049	126,049		
Commercial/Industrial (Moderate Strength)	28,968	63,249	63,249		
Industrial (High Strength)	57,012	473,027	328,985		
Elem. & Middle Schools	30,225	24,512	18,855		
High School	12,995	10,538	8,106		
Total	1,363,394	2,082,388	1,930,257		
Unit Rates	\$ 2.35	\$ 0.33	\$ 0.36		
<b>Revenue Requirement</b>					<b>Total</b>
Single-family Residential	\$ 2,170,297	\$ 383,374	\$ 413,589		\$ 2,967,260
Multi-family Residential	443,234	70,466	76,020		589,719
Mobile Homes	44,642	6,151	6,636		57,429
Commercial/Industrial (Low Strength)	236,991	41,863	45,163		324,017
Commercial/Industrial (Moderate Strength)	67,953	21,006	22,662		111,621
Industrial (High Strength)	133,738	157,102	117,874		408,714
Elem. & Middle Schools	70,901	8,141	6,756		85,797
High School	30,483	3,500	2,905		36,887
Total	\$ 3,198,239	\$ 691,603	\$ 691,603		\$ 4,581,445

Sources: Table 5.

## **WASTEWATER SYSTEM RATE STRUCTURE**

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Hollister wastewater rates are developed with the purpose of meeting three major objectives:

1. Rates must derive revenue requirements that include operating and non-operating costs;
2. The revenue requirements derived from wastewater rates must be equitably allocated to the various customer classes commensurate with their use of, and demand placed on, the wastewater system; and,
3. Rates should be easy to implement by the City and easy to explain to the customer.

The City's current wastewater rate structure consists of a fixed residential charge and a schedule for non-residential customers using a fixed charge plus a variable charge based on water consumed and the customer type. The current structure involves a large number of customer types with different fixed and variable charges.

The proposed wastewater rate schedule is based on the City's projected revenue requirements over the next five fiscal years. The proposed rates are designed to generate additional wastewater revenues to promote revenue adequacy throughout the five fiscal year planning period.

The proposed rate structure also provides additional administrative ease in imposing the rates on customers. We collapsed the rate class customer types into a manageable amount of rate classes based on similar flow and strength discharge patterns. This rate structure should still provide the City with its goal of user class equity and establish a framework for the proportional recovery of future revenue requirements. Table 7 presents current rates and the proposed rate structure and rates for FY 2005-2006. Beginning in FY 2006-2007, this analysis recommends that the City apply a cost of living increase of two percent (2.0%) to the rates for 3 consecutive fiscal years to ensure rate revenue tracks cost increases in providing wastewater service and to maintain adequate debt service coverage as required by the refunding bonds covenants.

**Table 7. Current and Proposed Sewer Rates, FY 2005/06**

Customer Class	Current Rate		Proposed Rate	
	Bimonthly Service Charge	Quantity Charge per HCF	Bimonthly Service Charge	Quantity Charge per HCF
Single-family Residential	\$ 49.50	\$ -	\$ 62.60	\$ -
Multi-family Residential	\$ 45.00	\$ -	\$ 54.57	\$ -
Mobile Homes	\$ 31.50	\$ -	\$ 38.29	\$ -
Commercial/Industrial (Low Strength)	\$10.50 to \$16.40	\$1.50 to \$3.00	\$ 29.46	\$ 2.73
Commercial/Industrial (Moderate Strength)	\$10.50 to \$16.40	\$1.65 to \$2.75	\$ 54.72	\$ 3.28
Industrial (High Strength)	\$10.50 to \$16.40	\$2.80 to \$3.10	\$ 212.87	\$ 6.09
Elem.& Middle Schools	\$ 10.50	\$ 1.85	\$ 2.28	per student
High School	\$ 980.42	\$ -	\$ 2.28	per student

Sources: Table 1; Table 6; City of Hollister.



**NOTICE TO PROPERTY OWNERS OF PUBLIC HEARING  
ON PROPOSED INCREASE IN SEWER SERVICE CHARGE**

*(Please share this information with tenants)*

**AVISO A LOS DUEÑOS DE PROPIEDAD REFERENTE A  
UNA JUNTA PUBLICA SOBRE EL AUMENTO PROPUESTO  
EN PRECIOS DE SERVICIO DE DRENAJE**

*(Comparta por favor esta informacion con su rentero)*

*PUBLIC HEARING*

**Monday, March 6, 2006, at 7 p.m. in the City Council Chambers  
City Hall, 375 Fifth Street, Hollister, CA**

*Bond  
Reserve*

Sewer Rate Update: The City of Hollister has completed a Wastewater Rate Analysis Study. A copy of the Study is available in the Office of the City Clerk at City Hall. The Study finds that: The sewer enterprise is faced with increases in its financial obligations. Due to increasing costs and no corresponding rate adjustments, the enterprise's operating fund balance was depleted at the end of FY 2004-2005. If rates are not adjusted to meet revenue requirements, the enterprise will face a deficit situation. Existing rates do not provide enough net operating income to satisfy the 1.50 debt service coverage ratio required for the proposed refunding of bonds. Existing rates do not fund depreciation. Customer classes can be streamlined for greater efficiencies. The Study finds that the proposed rate increase will achieve a positive fund balance, provide for ongoing costs, achieve the required 1.50 debt service coverage, and allow for funded reserves for unscheduled expenses. The Table below sets forth the proposed rate schedule. The rates were determined by calculating revenue requirements and allocating costs to various customer classes based on wastewater flow and strength.

You Can Be Heard: Proposition 218 allows customers to respond to proposed rate increases prior to the public hearing. If you object to the proposed increase in the monthly service charges described in this notice, you may file a written protest with the city clerk at or before the time set for the public hearing. A valid protest must contain:

- a description of the property (such as address) that is sufficient to identify the property.
- written evidence that signer(s) is/are the owner(s) of the property, if the signer(s) was/were not shown on the last equalized assessment roll of San Benito County as owner(s) of the property.

Protests can be mailed or personally delivered to:  
City Clerk, City of Hollister, 375 Fifth Street, Hollister, CA 95023  
**DO NOT SEND PROTESTS BY E-MAIL**

If a majority of the affected property owners file written protests, the proposed rate changes will not be imposed. If you have any questions regarding this notice, please call the City Clerk at (831) 636-4304 between 8 a.m. and 5 p.m., Monday through Friday.

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Usted Pudier Ser Escuchado: La Proposición 218 permite que los clientes respondan a los aumentos propuestos de la tarifa antes de una junta pública. Si usted se opone al aumento propuesto en los precios de servicios mensuales descritos en este aviso, usted puede presentar una protesta escrita con la Secretaria de la Ciudad, en o antes de la fecha fijada para la junta pública. La protesta debe incluir lo siguiente:

- Una descripción de la propiedad, la dirección será suficiente para identificar su propiedad.
- Evidencia escrita que indique la firma o firmas de los dueños de propiedad, si la firma no apareció en los rollos de propiedad del Condado de San Benito durante el último reportaje de propiedad.

Protestas se pueden enviar o entregar personalmente a:  
Secretaria de la Ciudad de Hollister, 375 Fifth Street, Hollister, CA 95023  
**NO ENVIE PROTESTAS POR CORREO ELECTRONICO**

Si una mayoría de los dueños de propiedad afectados presentan protestas escritas, los cambios propuestos de la tarifa no serán impuestos. Si usted tiene cualquier pregunta con respecto a este aviso, llame por favor al 831-636-4304 entre 8 de la mañana y 5 de la tarde, Lunes a Viernes.



CITY OF HOLLISTER  
375 Fifth Street  
Hollister, CA 95023

PRESORTED  
STANDARD MAIL  
U.S. POSTAGE PAID  
HOLLISTER, CA  
PERMIT NO. 22

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**IMPORTANT INFORMATION ON CITY SEWER RATE  
INCREASES ENCLOSED**

**ADJUNTO ENCONTRARA INFORMACION  
IMPORTANTE ACERCA DEL AUMENTO DE LA TARIFA  
DE DRENAJE**

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**\* FY 2005-06 CURRENT AND PROPOSED SEWER RATE SCHEDULE**

Customer Class	Current Rate		Proposed Rate	
	Bimonthly Service Charge	Quantity Charge per HCF	Bimonthly Service Charge	Quantity Charge per HCF
Single-family Residential (per Unit)	\$49.50	\$ -	\$62.60	<i>Increased . \$ - Cubic Feet</i>
Multi-family Residential (per Unit)	\$45.00	\$ -	\$54.57	\$ -
Mobile Homes (per Unit)	\$31.50	\$ -	\$38.29	\$ -
Commercial/Industrial (Low Strength)	\$10.50 to 16.40	\$1.50 to 3.00	\$29.46	\$ 2.73
Commercial/Industrial (Moderate Strength)	\$10.50 to 16.40	\$1.65 to 2.75	\$54.72	\$ 3.28
Industrial (High Strength)	\$10.50 to 16.40	\$2.80 to 3.10	\$212.87	\$ 6.09
Elem. & Middle Schools	\$10.50	\$ 1.85	\$2.28 per Student	
High School	\$980.42	\$ -	\$2.28 per Student	

\* Beginning in FY2006-2007, a Cost of Living Increase of 2% will be applied to the Rates for 3 Consecutive Fiscal Years

## OFFICIAL STATEMENT SEWER RATE INCREASES

The City's Sewer Rates are increasing in order to comply with mandated requirements for the City's Sewer Bonds. If you wish to respond to the proposed rate increases you must do so in writing as per the instructions contained in the Notice of Public Hearing mailed to each of the property owners. The Public Hearing will be held at 7:00pm on March 7, 2006 in the City Council Chambers at City Hall.

If you have any further questions, you may call the City Clerk at (831) 636-4304 between 8:00am and 5:00pm Monday through Friday (regular business hours).

## RESOLUTION NO. 2006-04

### A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER SETTING A PUBLIC HEARING DATE TO CONSIDER AN INCREASE IN SEWER RATES AND CHARGES

**WHEREAS**, the City of Hollister owns, operates and maintains a wastewater collection and treatment system; and

**WHEREAS**, the City Council has received a Wastewater Rate Analysis for the City of Hollister (December 2005) (hereinafter referred to as "Rate Study") which presents a comprehensive analysis of the sewer utility's rate structure; and

**WHEREAS**, the report recommends changes to the City's sewer rates to cover the costs of providing sewer service and to maintain an adequate level of reserves.

#### NOW THEREFORE BE IT RESOLVED THAT:

1. A public hearing is hereby scheduled for March 6, 2006, to consider changes to the city's sewer rate structure.
2. The City shall provide written notice by mail to the property owners potentially affected by the proposed changes at least 45 days in advance of the hearing.
3. The City Clerk shall cause Notice of the public hearing to be published once a week for two successive weeks in a newspaper of general circulation for the City.

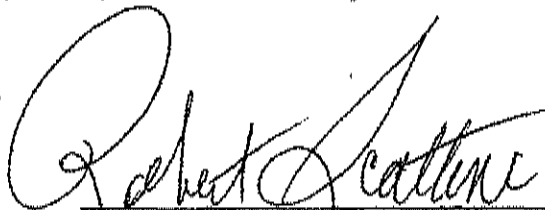
**PASSED AND ADOPTED** at a special meeting of the City Council of the City of Hollister held on January 9, 2006, by the following vote:

AYES: Council Members Valdivia, Pike, Johnson and Mayor Scattini


NOES: None.

ABSTAIN: None.

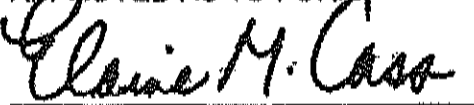
ABSENT: Council Member Emerson

  
Robert Scattini, Mayor

ATTEST:

  
Geri Johnson, City Clerk

APPROVED AS TO FORM:

  
Elaine M. Cass, City Attorney

DUPLICATE OF ORIGINAL  
ON FILE IN THE  
OFFICE OF THE CITY CLERK  
CITY OF HOLLISTER



**STAFF REPORT  
CITY COUNCIL OR STUDY SESSION AGENDA**

**DATE:** January 5, 2006

**AGENDA ITEM:**

# 8

**STUDY SESSION DATE:** NA

**MEETING DATE:** January 9, 2006

- **TITLE OF ITEM:** A Resolution of the City Council of the City of Hollister Setting a Public Hearing Date to Consider an Increase in Sewer Rates and Charges
- **BRIEF DESCRIPTION:** This Resolution sets a date for a public hearing to consider an increase in sewer rates and charges.
- **STAFF RECOMMENDATION:** Adoption of Resolution No. 2006-04, RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HOLLISTER SETTING A PUBLIC HEARING DATE TO CONSIDER AN INCREASE IN SEWER RATES AND CHARGES.

**DEPARTMENT SUMMARY:** The City has received a report from Muni Financial with reference to the City's sewer rates and charges. The report, entitled "Wastewater Rate Analysis for the City of Hollister (December 2005)" demonstrates a need to increase sewer rates to cover the costs of providing sewer service and provide adequate reserves to cover bond debt service payments. This Resolution sets a public hearing date of March 6, 2006 to consider the rate increase. The City will mail written notice of the public hearing to potentially affected property owners and will publish notice of the hearing for two successive weeks prior to the hearing.

**FINANCIAL IMPACT:** Cost of mailing

**DEPARTMENT:** City Attorney

**CONTACT PERSON:** Elaine Cass, City Attorney

**PHONE NUMBER:** (831) 636-4306

**THE CITY MANAGER HAS REVIEWED THE REPORT AND CONCURS WITH  
STAFF'S RECOMMENDATION:** \_\_\_\_\_

Clint Quilter, City Manager





**STAFF REPORT  
CITY COUNCIL OR STUDY SESSION AGENDA**

**DATE:** December 8, 2005

**AGENDA ITEM:**

# 8

**STUDY SESSION DATE:** NA

**MEETING DATE:** January 9, 2006

- **TITLE OF ITEM:** A Presentation by Muni Financial and Stone & Youngberg to the City Council addressing a proposed five-year increase to the Sewer Rates and Charges for the refunding of the Hollister Joint Powers Authority Series 1993 Revenue Bonds during Fiscal Year '05/06.
- **BRIEF DESCRIPTION:** Representatives from Muni Financial and Stone & Youngberg will present a plan for implementing Sewer Rates and Charges over a period of five years in order to refund the Hollister Joint Powers Authority Series 1993 Revenue Bonds during Fiscal Year '05/06.
- **STAFF RECOMMENDATION:** Accept the presentation by Muni Financial with direction to proceed with the actions as specified on the attached Financing Schedule from Stone & Youngberg.

**DEPARTMENT SUMMARY:** In 1993, the City issued \$16.14 million of Revenue Bonds to fund sewer system improvements and refinance outstanding debt. As part of that financing, the City promised investors that it would charge sewer and storm drain rates sufficient to produce net revenues (after operating and maintenance costs) that were at least 1.50 times annual debt service payments. In recent years, net system revenues have fallen well below this required level. Consequently, Standard & Poor's rating service has downgraded the rating on the 1993 Bonds to "BBB-", the lowest investment grade rating. In addition, the sewer system's operating reserves have been substantially depleted.

In order to address this problem, staff is proposing a series of sewer rate increases over the next five years. The attached rate model as prepared by Muni Financial summarizes the proposal. Total sewer operating revenues will thereby increase from the current \$3.5 million to \$4.9 million annually. In addition to achieving the 1.50 times debt service coverage, this rate increase will place the City in the best position to avoid any further ratings downgrade to non-investment grade (junk) bonds and refund the 1993 bonds at more favorable rates..

**FINANCIAL IMPACT:** No financial impact is associated with this informational report. Concurrent with this action, the existing debt service appropriations under Funds [660], [661] and [662] will be realigned in order to appropriate one-hundred percent of all annual debt service payments under Fund [660].

**DEPARTMENT:** Administrative Services  
**CONTACT PERSON:** Robert C. Galyan  
**DEPARTMENT HEAD:** Robert C. Galyan  
**PHONE NUMBER:** (831) 636-4301

**THE CITY MANAGER HAS REVIEWED THIS REPORT AND CONCURS WITH THE STAFF RECOMMENDATION:** \_\_\_\_\_

Clinton G. Quilter, City Manager

# **ATTACHMENT [A]**

## **WASTEWATER UTILITY REVENUE REQUIREMENTS**

**Table 3. Wastewater Utility Revenue Requirements**

Description	Base Year (FY 04/05)	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10
<b>Operating Revenues</b>						
Charges for Service	\$ 3,542,076	\$ 3,559,786	\$ 3,577,585	\$ 3,595,473	\$ 3,613,451	\$ 3,631,518
Total Operating Revenues	\$ 3,542,076	\$ 3,559,786	\$ 3,577,585	\$ 3,595,473	\$ 3,613,451	\$ 3,631,518
<b>Additional Revenue Required</b>						
Year	Revenue Increase					
FY 05/06	20%	\$ -	\$ 1,021,659	\$ 1,026,767	\$ 1,031,901	\$ 1,037,060
FY 06/07	2%	-	-	92,087	92,547	93,010
FY 07/08	2%	-	-	-	94,398	94,870
FY 08/09	2%	-	-	-	-	96,768
FY 09/10	0%	-	-	-	-	-
Total Additional System Operating Revenue Generated from Rate		\$ -	\$ 1,021,659	\$ 1,118,854	\$ 1,218,847	\$ 1,321,709
Total Operating Revenues		\$ 3,542,076	\$ 4,581,445	\$ 4,696,439	\$ 4,814,320	\$ 4,935,159
<b>Applications of Funds</b>						
<u>Operating Expenditures</u>						
City Manager	\$ 888	\$ 1,000	1,030	1,061	1,093	1,126
Finance	75,176	89,459	71,543	73,689	75,900	78,177
Information Systems	39,870	44,300	45,629	46,998	48,408	49,860
Engineering	71,871	102,688	105,769	108,942	112,210	115,576
Sewer Domestic	893,569	1,088,293	1,118,882	1,152,448	1,187,022	1,222,632
Sewer Industrial	234,997	274,578	282,815	291,300	300,039	309,040
Sewer Collection	875,991	1,189,055	1,224,727	1,261,468	1,299,313	1,338,292
Total Operating Expenses	\$ 2,192,362	\$ 2,767,373	\$ 2,850,394	\$ 2,935,906	\$ 3,023,983	\$ 3,114,703
Net Operating Income (Loss)	\$ 1,349,714	\$ 1,814,072	\$ 1,846,045	\$ 1,878,414	\$ 1,911,176	\$ 1,845,133
<u>Debt Service</u>						
Series 1993 Bonds <sup>1</sup>	\$ 1,197,608	\$ -	\$ -	\$ -	\$ -	\$ -
Proposed Refunding Bonds	-	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000
Total Debt Service	\$ 1,197,608	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000	\$ 1,210,000
<u>Debt Service Coverage (Net Operating Income / Total Debt Service) <sup>2</sup></u>						
	N/A	1.50	1.53	1.55	1.58	1.52
<u>Non-Operating Income</u>						
Interest	\$ 26,351	\$ 26,351	\$ 26,351	\$ 26,351	\$ 26,351	\$ 26,351
Intergovernmental	306,413	-	-	-	-	-
Transfers In	62,119	62,119	62,119	62,119	-	-
Total Non-Operating Income	\$ 394,883	\$ 88,470	\$ 88,470	\$ 88,470	\$ 26,351	\$ 26,351
<u>Non-Operating Expenses</u>						
Depreciation	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290
Total Non-Operating Expenses	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290	\$ 82,290
Net Income (Loss)	\$ 464,699	\$ 810,252	\$ 642,225	\$ 674,594	\$ 645,237	\$ 579,194
Beginning Operating Reserve Fund Balance	-	-	610,252	1,252,477	1,927,071	2,572,308
Ending Operating Reserve Fund Balance	-	610,252	1,252,477	1,927,071	2,572,308	3,151,502

**Notes:**

Revenue sources are projected to increase 0.5 percent annually. Operating expenses are assumed to increase 3.0 percent per year.

FY 05/06 Operating Expenditures based on City's trial balance sheet as of 12/5/05

Rate model assumes rate increase becomes effective April 1, 2006.

1. FY 04/05 Series 1993 Bonds debt service includes principal and interest from several enterprise funds.

2. Per Stone and Youngberg, the required debt service coverage ratio on the proposed Refunding Bonds is 150 percent or 1.50.

Sources: City of Hollister; Stone and Youngberg; MuniFinancial.

# **ATTACHMENT [B]**

## **HOLLISTER JOINT POWERS FINANCING AUTHORITY WASTEWATER REVENUE REFUNDING BONDS FINANCING SCHEDULE**



**Hollister Joint Powers Financing Authority  
Wastewater Revenue Refunding Bonds**

**Financing Schedule (as of December 6, 2005)**

**DECEMBER 2005**

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**JANUARY 2006**

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

**FEBRUARY 2006**

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

**MARCH 2006**

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

**APRIL 2006**

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**MAY 2006**

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Date	Action	Party	Status
Week of Nov. 30 <sup>th</sup>	Compile current enterprise financial results	City	x
December 6 <sup>th</sup>	Circulate revised rate study reflecting audited FY05 results	MuniFinancial	x
Early December	Final Rate Study circulated	MuniFinancial	x
December 8 (or later)	Agenda deadline for Council consideration of rate increase plan		
Early December	Select firm for property owner noticing	City	
During December	Council rate workshop	City, MF	
Week of Dec. 12 <sup>th</sup>	Review and discuss summary slides for S&P	All	
Week of Dec 19 <sup>th</sup>	Standard & Poor's briefing on status of City finances and plans	City, S&Y	
December 19 (or early January)	Council approval of plan to pursue proposed rate increases	City	
December 20 (or early January)	Initiate notices to property owners of proposed rate increase (Clarify and confirm timeline for notices and public hearing -- 30 or 45 day notice to homeowners? Has City hired firm to send out property notices yet?)	City	

Council meets 1<sup>st</sup> and 3<sup>rd</sup> Monday of every month, agenda deadline is two weeks in advance

Date	Action	Party	Status
During December and January	Public workshops on proposed rate increases	City, MF	
January 23	Council agenda deadline for rate increase proposal		
February 6	City Council Meeting <ul style="list-style-type: none"> <li>• First reading of new wastewater rate ordinance</li> </ul>	City	
Week of Feb 6	Circulate first draft of bond legal documents and resolutions	BC	
Week of Feb 6	Circulate first draft of Preliminary Official Statement	DC	
Week of Feb 13	Financing Team Meeting <ul style="list-style-type: none"> <li>• Due diligence</li> <li>• Review POS &amp; legals</li> </ul>	All Parties	
Week of Feb 13	Circulate draft credit presentation Circulate second drafts of legals and POS	S&Y BC/DC	
Week of Feb 20	Financing team meeting/conference <ul style="list-style-type: none"> <li>• Review and comment on credit presentation</li> <li>• Review and comment on 2<sup>nd</sup> draft of POS &amp; legals</li> </ul>	All	
February 21 <sup>st</sup> (?) (3 <sup>rd</sup> Monday is a holiday)	City Council Meeting <ul style="list-style-type: none"> <li>• Second reading of new wastewater rate ordinance</li> </ul>		
Week of Feb 27	Distribute documents to rating and insurance analysts <ul style="list-style-type: none"> <li>• Preliminary Official Statement</li> <li>• Legal Documents</li> </ul>	S&Y	
Week of March 13	Receive rating	S&Y	
March 6	Council Agenda Deadline <ul style="list-style-type: none"> <li>• Preliminary Official Statement</li> <li>• Legal Documents</li> </ul>	BC/DC	
March 20	City Council Meeting <ul style="list-style-type: none"> <li>• Approve POS and Documents</li> </ul>	City/S&Y/BC	
March 23 <sup>rd</sup>	Effective date for new rate ordinance <i>(30 days after 2<sup>nd</sup> reading)</i>		
March 23 <sup>rd</sup>	Preliminary Official Statement to printer <i>(after Council action and effective date of ordinance)</i>	S&Y/DC	
Week of April 3 <sup>rd</sup>	Price Bonds/Execute Purchase Contract <i>(at least a week after printing OS)</i>	S&Y/City	
Week of April 17 <sup>th</sup>	Preclosing/Closing <i>(2 weeks after pricing, before call notices sent)</i>	All Parties	

<b>Date</b>	<b>Action</b>	<b>Party</b>	<b>Status</b>
<b>May 1<sup>st</sup></b>	<b>Call notice to 1993 bondholders</b>	<b>Trustee</b>	
<b>June 1<sup>st</sup></b>	<b>Current call of 1993 Revenue Bonds</b>	<b>Trustee</b>	